PROPOSED IMPROVEMENTS IN THE CONGRESSIONAL BUDGET ACT OF 1974

HEARINGS

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PROPOSED IMPROVEMENTS IN THE CONGRESSIONAL BUDGET ACT OF 1974

TUESDAY, SEPTEMBER 14, 1982

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The committee met, pursuant to notice, at 9:53 a.m., in room 6202, Dirksen Senate Office Building, Hon. Pete V. Domenici, chairman of the committee, presiding.

Present: Senators Domenici, Kassebaum, Boschwitz, Grassley, Gorton, Hollings, and Exon.

Staff present: Robert Fulton, chief counsel; Nell Payne, staff attorney; and Lizabeth Tankersley, minority staff director.

Chairman DOMENICI. The hearing will please come to order.

OPENING STATEMENT OF CHAIRMAN DOMENICI

Today, we begin an examination of possible improvements in the Congressional Budget and Impoundment Act of 1974. This process is one of the most important processes for our Nation's Government. For purposes of today's hearings, the budget process should be distinguished from taxwriting and the authorization and the appropriation process.

The budget process was created 8 years ago after a very lengthy, thoughtful, and painstaking analysis of ways in which Congress could better discharge its fiscal responsibilities. The design of the budget process as spelled out in the act has remained essentially unchanged since that act was adopted in 1974.

Our purpose today and in four additional hearing sessions later this month is to consider how the Budget Act has worked and in what ways it might be improved. It is appropriate that these hearings be held now. We have had 2 years in which unprecedented policy changes have been accomplished through this budget process. We should examine the process in light of the specific experience of the past 2 years.

Also, the Senate, on August 4, approved Senate Joint Resolution 58, the balanced budget constitutional amendment. If this amendment is endorsed by the House and ratified by the requisite number of States, it will have profound effects on the budget process.

It is my opinion that we should begin now to look at the implications and identify transition arrangements that would prepare Congress for that eventuality.

BUDGET PROCESS FUNDAMENTALLY SOUND

I have come here, and I am sure all my fellow Senators have come here to hear our distinguished witnesses and to learn from them. But I will admit that I come to these hearings with some strongly held personal views about the process.

I think it is fundamentally sound. I think it has, over the last 8 years, proven that it is viable and that it is useful for our country. Without the act, I believe Congress would be far less able in today's world to deal with the policies that are either in effect now or that we must adopt in the future. Without the act, I doubt that Congress would have enacted the recent major changes in Federal taxing and spending patterns. The major reconciliation bills of the last 3 years have been an important part of that.

FIVE ASPECTS OF PROCESS NEED STRENGTHENING

I also recognize that our experience with this process has brought to light the need for certain changes. To the extent that these hearings help us to refine and improve the act, they will be of great benefit. I will be especially interested in hearing ideas on strengthening five aspects of the process.

First, we should consider whether the current tools for congressional enforcement of budget decisions are adequate. Do we need move vigorous enforcement mechanisms? If we do, should they include strengthened enforcement at the committee and subcommittee levels? What, if any, changes should be made in the reconciliation procedures?

Second, I believe we should very carefully examine the overall budget timetable. All Members of Congress are aware of the amount of time that the budget process consumes and of problems Congress is having in meeting its other deadlines imposed by the Budget Act.

Is there a way to make the deadlines more realistic without lessening the pressure on Congress to make timely fiscal decisions? Would a 2-year budget cycle, in tandem with multiyear authorizations and 2-year appropriations for most programs, be a good alternative?

Third, we should consider whether the mechanisms of impoundment and control in title X of the act need to be changed to enable Congress and the President to keep actual outlays from exceeding those adopted in the budget resolutions.

One of the achievements of the act is the orderly framework for consideration of proposed executive branch impoundments. But the existing impoundment provisions have not resulted in actual outlays being held at planned levels. Would it be advisable to establish some type of process to help limit growth of hard to control Federal expenditures, such as entitlements?

Fourth, we need to examine the full range of Federal fiscal activities in relationship to the budget process. Should spending of so-called offbudget agencies be included in the budget totals? Should the process devote more attention to tax expenditures and Federal credit activities?

These elements of Federal activity are an important part of the policy, but they have been dealt with only marginally in this budget process; that is, the Budget and Impoundment Act itself.

Finally, I believe we should consider what adjustments in the process and in the Budget Act would be required if the balanced budget constitutional amendment became law.

I am hopeful that the hearings we are now beginning will address these and other relevant issues. We need to illuminate these issues so that the committee can take steps to assure that the act, which is already a notable success, can continue to be successful in the years ahead. I hope we can show how the congressional budget process will remain strong, effective and capable of producing fiscal policy that the Congress and the people want.

I am pleased to yield to my distinguished ranking member, Senator Hollings.

OPENING STATEMENT OF SENATOR HOLLINGS

Senator HOLLINGS. Thank you, Mr. Chairman. Like all of us, we are here in gratitude and respect for the contribution made to the credibility of the budget process by both Senator Bellmon and Chairman Giaimo. No two have done a greater job in that regard, and they continue to do it with the Committee for a Responsible Federal Budget.

So, I think the Budget Committee, the Congress and the Government generally are indebted to the movement they have begun to give impartial, rational, and expert consideration of the budget, its process and perhaps some amendments.

I hesitate to discuss amendments at this particular time. When you gentlemen were here, we were all talking about being a line-item committee—that we were not. We were not going to preempt the authorizing committees.

Now, we have in certain cases the preemption by the authorizing committees of the process. For example, on the Commerce Committee, the chairman of that committee passed his communications bill as part of the budget reconciliation bill last year, and this year he cut back the membership of the ICC and the Federal Communications Commission on the reconciliation bill. He loves it. In other words, he just waits for the reconciliation bill to come and any kind of knotty or controversial matter, he will attach to it, and so thinks it is just a wonderful thing.

This, then, really erodes our credibility and joins with those on the appropriations side who are either jealous or are wondering just exactly what the budget process is going to do to them. In the next month, we will possibly pass no appropriations bills; we will only pass a continuing resolution.

So, if you get the budget process taking over the authorizing and appropriations processes, then we really should stop and consider that carefully.

In that vein, I welcome you both because I know you can sit back more dispassionately and give us better judgment than we close to the fire here in Washington can give. So, I thank you very much.

I do not think, even though we might get some good suggestions, that we ought to move to amend the Budget Act this year because there is a good movement afoot to do away with the whole thing as a result of some of the observations I have made.

There is an old observation, too, at home that even though the gun may be well aimed, if the recoil is going to kill the gun crew, you just do not fire the gun. So, we may have good aims and ideas with some of the amendments afoot, and the fact that we do not put them through this year is not a rejection of them; it is just a bad time this year, in this particular atmosphere, to pass any amendment, I believe.

Thank you, Mr. Chairman.

Chairman DOMENICI. Thank you, Senator Hollings.

Senator Bellmon, did you want to proceed first?

Mr. BELLMON. That would be agreeable, I believe.

Chairman DOMENICI. Henry, we welcome you here. I think you know the esteem in which this committee holds you, and that the whole Senate does. And I join Senator Hollings in commending you not only for your dedication, but also for the committee which you and Chairman Giaimo have started. I think it is going to be of extreme help in all fiscal matters for our country and I compliment you on it.

Senator Bellmon.

STATEMENT OF HON. HENRY BELLMON, COCHAIRMAN, COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET, AND FORMER U.S. SENATOR FROM THE STATE OF OKLAHOMA

Mr. BELLMON. Thank you, Mr. Chairman. I appreciate the opportunity to testify this morning and to be back in these familiar surroundings.

I want to begin by making a couple of extraneous comments. First of all, I notice there is a change in format here. We formerly had members of the committee and witnesses on the same level. You are now in a position to pounce on us.

Chairman DOMENICI. That is right. We even have a new gavel.

Senator HOLLINGS. Yes. You have never been mayor of a town? [Laughter.]

Mr. BELLMON. I was about to say that under Chairman Muskie and Chairman Hollings, there never was any need for the committee to have an advantage in pouncing. They always seemed to pounce very well from the same level as the witnesses were, and I do not know what this means as far as the new committee chairman is concerned.

Also, I wanted to comment that the fact that I am sitting here to the left of Bob Giaimo just means one thing, and that is I am about to get in the welfare business. I may find myself on the other side of some of these budgetary issues as the months go by, but I promise you I will not be back bothering the committee with that.

I would like to begin by congratulating and commending the Committee on the Budget for the way it has used the budget process to accomplish what might have seemed to be impossible objectives earlier. When I left the Senate roughly 2 years ago, there was some concern that the process might be weakened and in danger of being destroyed. It seems to me that these past 2 years have greatly strengthened the budget process and given it a permanency which I was not certain it had at the time we were working with it.

BUDGET ACT SHOULD NOT BE AMENDED

It seems to me that these last 2 years have done away with that concern. I believe the budget process is here to stay. I think the act is working well, and the main reason I am here this morning is to suggest that you not go into a process of tinkering with it and amending it at this time. I am afraid that if the act is opened up to major amendment, the net result will be a weakened act and not the kind of strengthening that I think all of us here would like to see. So, the main thrust of what I want to say is that I feel the act is working well and it should not be seriously tinkered with at this time.

CONSTITUTIONAL AMENDMENT REQUIRING BALANCED BUDGET UNACCEPTABLE

Now, then, having said that, there are a couple of other comments I want to get into. One is that I do not believe that the passage of the proposed constitutional amendment would make a major change in the process of government. I am one of those who formerly served as a Governor of a State that had a requirement that we balance our budget, and it works well at the State level. In fact, I do not see how you could govern a State without it. There are so many pressures to spend and so few pressures to tax that I think most States would wind up with enormous debts which they could not service.

But at the Federal level, I find it is a different ballgame. As a matter of fact, when I first came here about 14 years ago, I introduced a whole series of bills aimed at trying to force a balanced budget. But after having served here a while, I finally realized there is simply no way to pass a law or a constitutional amendment that will require the Congress to take actions that are not politically acceptable.

This is a political body and if there is some constitutional amendment requiring that the budget be balanced when it is not politically possible to do that, we will find ways to make end runs around it through putting matters off budget or creating capital budgets or other ways that Congress would very quickly invent.

So, I feel the Congress is more or less wasting its time in trying to pass a constitutional amendment that would have, I believe, the net result of failing and making our constituents more cynical about the process of government than they already are, and that is a major problem in the country already.

The fact that during the present administration, it is likely that something like a half trillion dollars is going to be added to the Federal debt is going to make balancing the budget much more difficult, and certainly there is nothing that has happened so far that would encourage anyone to believe that balancing the budget by a constitutional amendment is going to be possible.

By the way, Mr. Chairman, I have two statements that I would like to offer for the record. I do not know whether they need to be printed, but at least I would like to have them filed. One is a joint statement by Congressman Giaimo and myself, and the other is a copy of a statement that I made on the floor of the Senate on December 5, 1980, which details several changes in the Budget Act that I felt at that time should be made, and which even at this time when the climate is right for amending the act, I feel would be worthy of the committee's consideration. So, I would like to give those for your record.

Chairman DOMENICI. Those will be made part of the record.[1]

MAKE FIRST RESOLUTION BINDING

Mr. BELLMON. Now, then, to get down to some things that have happened to the budget process since I left, the first thing is that I believe you have been wise, as you did in this current fiscal year, to make the first resolution binding. The old process of having a first resolution which no one felt was going to stick and then coming in later with a second resolution that was the binding resolution, I feel was not a good process and that the way you are operating now is much better. So, I would strongly urge that the procedure of making the first resolution binding is the right one.

Practically everyone feels that the budget process has caused Congress to spend too much time working on budgets, and by having only one resolution and making it binding, you get away from at least part of the time that the budget process formerly consumed.

It is also hard to persuade Congress to take seriously the decisions reached in the first resolution so long as you know you are going to be revising them in the fall. And if it does prove that you have to have another resolution, there is always an opportunity to do that.

Also, once reconciliation is included in the first resolution, its totals become for all practical purposes binding on the committees that are directed to report reconciliation legislation. So, to me, you can do it all in the first resolution, and I commend you for having made that change and urge you to keep it.

EXTRANEOUS MATTER IN RECONCILIATION

Senator Hollings already raised the issue about extraneous matter in reconciliation, and clearly this is a great danger. I strongly support reconciliation. As you will remember, the Senate first proposed this, I believe, back in 1980, and the process has now come to be a major part of the activities of the committee. It is the backbone of the budget process. It allows Congress to expeditiously enact specific changes in law to achieve specific objectives, once you agree that these objectives are so important that they warrant the use of this extraordinary enforcing mechanism.

But in order to insure that Congress has the opportunity to consider reconciliation legislation in a timely manner, the Budget Act includes rules to limit time for debate on these bills and requires that amendments to reconciliation bills be germane.

In the Senate, as every one of you knows, this flies in the face of the tradition which values very highly each member's right to offer an amendment to any bill and to talk as long as he or she may wish. So, when you begin using the reconciliation process under these limited debate rules to do what would otherwise be legislating bills, you are taking a chance on finally offending so many members of the Senate that I believe the budget process could be seriously injured. So, I would strongly urge that either through rules or if the act is ever amended, the reconciliation process be limited and that extraneous matters not be considered on reconciliation bills.

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[1] See pp. 33 and 58.

For instance, the 1981 reconciliation bill included several changes in law that had nothing whatsoever to do with saving money. I am talking about tax-exempt lending authority for the Student Loan Marketing Association. This kind of legislation should be avoided in future reconciliation bills.

It is unlikely that the Senate will consistently agree to debate major changes in law which have nothing to do with saving money under the limits of the Budget Act for reconciliation bills, and it is for this reason that I urge that the process be guarded carefully.

TWO-YEAR BUDGET CYCLE

Now, then, in the statement I made back in 1980, I spent a considerable amount of time talking about a 2-year budget cycle, and I still believe that that is one of the changes that the Congress ought to consider. It really has not a great deal to do with the Budget Act, per se, but the budget and appropriations process consumes such a tremendous amount of congressional time and effort that any actions that would reduce the amount of time spent on this process, I believe would be in the interests of better government.

By going to a 2-year budget and appropriations cycle, we would stop this business of tying up the time of roughly half the members of the Senate on these matters by adopting a process where, during the first year of a new Congress, you worked on budget and the appropriating process and, in the second year of the Congress, worked on authorizations and legislation. I believe you could spare the Members of the enormous load of going through this process twice.

In addition to that, it would save the executive branch a very substantial amount of time and money because a very large number of people in the executive branch are involved in preparing budgets and in defending their requests here before the Congress.

I remember when I first went on the Appropriations Committee, I wrote to various agencies, including the Defense Department and what was then the Department of Health, Education, and Welfare, and the Department of Interior, asking how many people-years were devoted to preparing the submissions they made to the Congress in their appropriations requests.

I remember very well that the Defense Department claimed that they spent over 2,000 people-years in preparing their appropriations request, and the Department of HEW said they spent over 700 people-years in preparing their appropriations request.

If we went to a 2-year budget cycle, it is obvious that it would take only roughly half as many people to do that job because they would have twice as long to work at it. So, I strongly recommend that the Congress proceed in the direction of going to a 2-year budget cycle. I believe that the chairman has already brought that up, but I strongly recommend it. That is one major change in this process that ought to be considered.

COORDINATE FISCAL AND MONETARY POLICY

The other point I would like to make, and this really does not bear directly on the budget process, but it is the fact that we seem to have failed in government to find a way to carefully coordinate fiscal and monetary policy. I remember very well, and I cannot recall which year it was, but Congress went through the process of trying to pass some bills aimed at stimulating the economy.

We had a hearing before this committee in which Arthur Burns testified that the monetary policy had been structured to cancel out the very things Congress had done. So, we had the very unusual result of having created a several billion-dollar deficit to try to stimulate the economy, and yet by monetary policy the Federal Reserve had succeeded in unstimulating the economy. To me, that is a rather ridiculous situation.

So, I would strongly urge, either formally or informally, I am trying to say that I would urge that this committee, either formally or informally, find a way not of politicizing the Federal Reserve Board, but of working with them to make certain that monetary and fiscal policy are going in the same direction.

All of you know very well the kind of a dog chasing its tail situation we can get into, and that is that if we have a large deficit 'we wind up with high interest and high unemployment. So, if you have a monetary policy that keeps interest high and produces a lot of unemployment, and if we have a fiscal policy that produces a large deficit and you get high interest and high unemployment, the whole process is not working. So, the two need to be brought together, and I believe it is really this committee that is in the best position to do that.

Now, then, just one other point that really does not deal too much with changing the Budget Act, but I would strongly urge that since Alice Rivlin is leaving the CBO, the authorities, of which certainly this committee will be a part, not delay at all. In fact, I would recommend that you move rapidly to find a proper replacement for Alice.

Dr. Rivlin has made the CBO one of the most important elements in Government. She came, as all of you remember, from Brookings, and at the time she arrived out here, there was some concern as to whether or not she would be satisfied to be a producer of numbers and not try to make recommendations that had the effect of changing policy.

But, over time, I think Ms. Rivlin has made CBO into a very credible source of information about Government numbers and the work she has done badly needs to be continued. So, I strongly urge that this committee urge that a replacement for Dr. Rivlin be chosen quickly and that appointment not be left hanging long enough that it becomes highly controversial.

Also, I would urge this committee to impress upon the new Director of CBO that the job of that agency is to produce numbers, and that even though program evaluation is a lot more attractive to some of the staff down there that they leave the job of program evaluation up to GAO, generally, and that the CBO restrict itself largely to the job that it was created to do. After all, GAO has a staff, the last I knew, of something like 5,000, and clearly they ought to be able to evaluate programs without asking CBO to give up its major function.

NO NEED TO AMEND BUDGET ACT AT THIS TIME

So, in summary, I would simply like to say that I believe the Budget Act is sound; that it is not in need of serious amendment at this time; that the way it has evolved, it is working extraordinarily well. There is some dissatisfaction in the country with the way Government is going, and there is some tendency for people to want to shoot the messenger, which the Budget Committee has to be.

But there is not a need to attempt to seriously amend the act at this time, and as long as the act is working as well as it is, I feel like it ought to be left alone.

Chairman DOMENICI. Thank you very much, Senator Bellmon.

Chairman Giaimo.

STATEMENT OF HON. ROBERT N. GIAIMO, COCHAIRMAN, COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET, AND FORMER CONGRESSMAN FROM THE STATE OF CONNECTICUT

Mr. GIAIMO. Thank you very much, Mr. Chairman. I cannot express to you the pleasure that it is for me to be here today to speak with you, and the reason for that is because of the high regard in which I hold each and every one of you on this committee and the work which you have really done in the past 2 years in behalf of sanity in budgeting and sanity in the activities of Congress.

My colleague from Oklahoma and I have been very interested in what happened and what would happen to the budget process, as you know, and because of that we formed in 1981—I guess it was in the Senate dining room one evening that we decided to go ahead with trying to put it together—a Committee for a Responsible Federal Budget.

We do have that committee in existence now. It has got many interested people who are in support of the purposes for which the budget process stands, and they are there to support the House and the Senate at all times in trying to better implement and better serve the Congress in its efforts to develop sanity in budgeting, spending and fiscal policy.

Not only that, but thanks to many people in the United States who are interested in helping us to do this, we are embarking upon an educational process which we hope will be at least partially successful in trying to educate media people and opinionmakers and many Americans—certainly, it would be impossible to influence all with the kind of a budget we have—but many people in all parts of the country as to what budgeting is in the Congress and what it implies.

It is a very complicated subject, as you know better than anyone else, but we hope perhaps that this will clarify the issue, make it more understandable, and therefore make your job perhaps a bit easier. We hope to be able to say more about that in the very near future, but we think it will serve you in good stead.

As you know, I am looking at this now from a new perspective for me of being out of public office after 22 years. I did not have a farm to go back to in Oklahoma as our dear friend, Henry Bellmon, did, so I began to practice law here in Washington. I went back to Connecticut and picked up some small companies in Connecticut that needed consulting and legal work in Washington——.

Senator HOLLINGS. Connecticut does not have a welfare department? [Laughter.]

Mr. GIAIMO [continuing]. In the engine business and in the insurance business. But my labor of love, of course, is this budget process, and I devote a great deal of my time and attention to it because I think it must work.

We have a spread of $150 billion between what we take in and what goes out, as you well know, give or take 1 or 2 billion on the numbers. But the fact is that the deficit is there, it is there every year, and something has got to be done about it. And you are the people who are doing something about it.

FIRST BUDGET RESOLUTION MADE BINDING

The fact that the process is working is perhaps best demonstrated by the fact that today is September 14 and I look at you and you all look relatively relaxed. The staff does not have that usual, harried September 14 look on their faces, nor do the members, and that tells me something.

It tells me, first of all, that you do not have a conference report to try to get through the House and Senate by tomorrow's deadline, which means, in effect, that you have instituted—and bless you for having instituted it—making the first budget resolution binding on September 15. And I think that makes a great deal of sense, rather than to have had to go through an August and September, as you would have done, trying to revise estimates, trying to update congressional actions and intentions, and going through that same, long, difficult contest that you have in putting a first resolution into place, doing it again in August.

REVISING FIRST BUDGET RESOLUTION NOT NECESSARY

Are your numbers out of date? Undoubtedly. But when are not numbers out of date in budgeting? Any review that you make from week to week will change. As you know better than anyone, you are dealing with estimates in the future. But, certainly, I do not see the need for revising that first budget resolution which you implement some time—it used to be May 15, but let us say some time in June, revising it in September.

Clearly, history shows that we have to revise it later on down the road in the fiscal year. We usually take care of that, as you know, through the third budget resolution, well into the fiscal year when we really have a grasp of what has happened to our estimates, what has happened to our spending, what changes must be made, and what is essential. And you adjust at that time in the spring; make that your second budget resolution, if you will. But at least you will have spared the Congress and the public this agony of going through a second budget resolution in September, which I do not really think is necessary.

After all, if you go back to the origins of the act, I have a suspicion of why that second budget resolution was called for. I think there must have been a terrific turf fight back there. I cannot speak with any authority on what happened in the Senate, but I can speak with some authority as to what happened in the House.

It is not by accident that the House Budget Committee, for example, is a revolving committee, a temporary committee. It is not by accident that the House committee requires five members from Ways and Means and five members from Appropriations. And I believe it is not by accident that the framers of the legislation called for a second budget resolution in September because, in reality, what that really did was to say, "You can say what you want in the spring resolution, the first resolution, but you will wait until after we decide on entitlements, appropriations, et cetera, before you have binding numbers, which you will have only in the second resolution in the fall."

DO NOT MAKE CHANGES IN BUDGET ACT

Well, you have gotten away from that and you have now gotten to the point where you have a binding resolution in place, and you did it without having to change the Budget Act. That compels me to reiterate and agree with what my colleague, Senator Bellmon, says: Do not take up the Budget Act and make changes in it unless you absolutely have to, and I do not see that you absolutely have to in this climate.

There is a great deal of hostility toward you, as you well know.

Chairman Domenici. Where? [Laughter.]

Mr. Giaimo. You are getting the same kinds of turf fights in the Senate. You know, during my 4 years as chairman, I had to hear, "Why cannot you in the House have this bipartisan spirit and this spirit of brotherly love like we have in the Senate?" I used to hear that from my friend, the Senator from Maine, on more than one occasion.

I notice that you are getting similar kinds of turf fights, intercommittee turf fights, in the Senate that we have in the House. So, anything you can do to minimize and avoid those kinds of struggles will serve you well. Therefore, I say if you can make these changes and implement these changes, as Senator Bellmon suggested, by rules changes or by interpretations or by inferences rather than by taking up that Budget Act and changing it, I would recommend that you leave that to a calmer day. And I guess I would define a calmer day as a day when we would not have 100-plus billion-dollar deficits, if ever that day would come.

Chairman Domenici. If we wait until then, they will say it is not needed at all.

CONGRESS COMPELLED TO DISCIPLINE ITSELF

Mr. Giaimo. Well, true. But I do say that for 2 years now, you have had this great, great struggle here, and it has been a struggle. But you have prevailed and you have rendered a service to the country. You have turned the Congress around from its free and easy ways of raising and spending revenues and moneys and programs, and you are compelling it to discipline itself.

It is not a popular process; you are not a "goody" committee. You have no goodies to give out. All you have to do is to observe the great struggle before the recent recess on the tax bill to see the great interest that was displayed in the halls of the Ways and Means Committee and the Finance Committee as those two committees deliberated on taxes, which affected people in so many different ways.

All that you have to give out is hardship and belt tightening, because the economy and because the revenue and outlay situation require it. So, any way in which you can eliminate the problems which I know exist will serve you in good stead.

ECONOMY DEMANDS SOMETHING BE DONE ABOUT DEFICITS

At the same time as you do this, of course, you are going to be doing some things which bring you into great struggle with your colleagues both in the Senate and in the House, and there is just no way you can avoid it. So, I want to compliment you on the way in which all of you have held up. Even when you have disagreed among yourselves and within your own committee, your commitment to the process has contributed well, I believe, to our country because I believe we all operate from the theory that deficits do matter; that deficits are serious; that it is not funny money; that it is for real, and that the economy demands that we do something about it, or else the economy and the marketplaces will solve our problems for us. And they solve problems in very nasty and difficult ways for the people, and particularly for the people least able to cope.

RECONCILIATION PROCESS DOES WORK

So, it means that you are going to have to undertake the difficult burden. Then what have we done? We have now got a binding first budget resolution. You have a reconciliation process that, while it may have faults, does work. It is a very effective way of compelling change in substantive programs, designed to alter, change or eliminate those programs, and to save some money. You can then restructure and reorder your priorities toward areas where scarce resources are more urgently needed. I think you have made great progress there.

I suspect that this year's reconciliation process eliminates some of the abuses that crept into the process last year. I am sure that with the passage of each year, you will refine the process so fewer abuses will creep into the process.

Certainly, we all know that we have very skillful counsel and staff people who are able to utilize processes such as reconciliation as a quick means of implementing legislation, and I am sure that you can guard against that.

Senator Bellmon spoke of the balanced budget amendment, and certainly I want to stress that I, too, oppose the balanced budget amendment. Our committee, I believe, has instructed us to go on record as being opposed to it.

THREE-FIFTHS RULE

I find attraction in the three-fifths rule. I find some attraction in the idea that if you are going to spend on a deficit basis, perhaps you ought to have more than a bare majority. You can argue that both ways. But, certainly, anything in that area could be done through statutory measures and clearly should not be the subject of a constitutional amendment. We should not write constitutional amendments too freely, in my opinion. I will not say much more on that subject because Senator Bellmon has covered it.

WORK WITH OTHER COMMITTEES ON A MUTUAL BASIS

How to strengthen the budget process and at the same time not be accused of being the super committee of the Senate or the House is your biggest problem; it always is. I guess we always were subject to the charge of, "You are line-iteming; you are taking over our jurisdiction. Who are you on the Budget Committee to be telling us what we should be authorizing or appropriating for or passing entitlements for?" We should not do that.

At the same time, we are not idiots on the Budget Committee; I can attest that there are not any. And we are not dealing with numbers in the air, as some would accuse us. And our numbers have to stand for something; they have to support certain size programs, at least, and usually certain kinds of programs. You have to prejudge when you put your budgets together what the Congress will insist upon and what the Congress will want.

That means that your numbers have to reflect programs, initiatives and the like, and that, to some degree, gets you into the areas of the other committees. It is a constant, ever-present struggle, and I do not know how you can solve it except to try to cooperate always with the other committees and work on a mutual basis, having due regard for each other's privileges and prerogatives.

ENFORCING NUMBERS IS AREA OF WEAKNESS

The real area of weakness is how do you enforce your numbers, your ceilings and your floors; how do you enforce your mandate? The tools in the Budget Act are relatively weak. If they bust your total ceiling, for example, or your total revenue floor, then you have a remedy. But you do not have remedies in the meantime for beneath the ceiling. What I am talking about is where someone will come along early on in a budget cycle with attractive legislation—entitlement or appropriation or otherwise—which spends money, and it will quickly be passed by the Congress. And such legislation was not contemplated by either the House or Senate when it originally implemented its budget for that year.

The result, of course, is that you are now dislocating other programs which were contemplated and which are coming up later in the year. Unless you develop some mechanism to provide that if you are going to pass this attractive early legislation you are going to have to find the money for it from one of the other programs or some other method, you are going to wind up where, at the end of the fiscal year, you are going to have essential, necessary programs which perhaps might even be deferred toward the end, knowing full well that when you have those highly attractive and essential programs, there is no way on God's earth that you are going to stop the House and Senate from implementing them because they know they have to, and that will bust your budget.

DEFERRED ENROLLMENTS

One of the ways in which we have begun to control this is the vehicle of deferred enrollments. I think you have to look at that whole subject matter more to see if there is a way in which you can strengthen the mechanisms to control new programs that will come in from left field or from right field and were not contemplated by the Senate and House budget committees when they put together their budget resolution, and which were not even, for example, contemplated by the authorizing and spending and entitlement committees when they sent you their March 15 letters of what they intended to do.

But, suddenly, this matter will come along and it will dislocate and it will create problems for you toward the end of the congressional session. It is a serious problem. You know that there was even opposition to the present deferred enrollment provisions which you had during your last budget cycle, certainly on the House side, as I recall. It demonstrated an unpleasant situation that I wish could have been avoided. Thank goodness, it was straightened out in the second go-around, but it demonstrated a dislike of what the budget process was trying to do, or a resentment, if you will, of the discipline of the budget process, but one that was necessary.

I think there is no way to avoid this. I think you are going to have to take on this issue head-on and try to develop stronger tools for a budget discipline below the total aggregate outlay ceiling and revenue floor, so that you will have some better control over Federal spending by the Congress.

HOUSE BUDGET COMMITTEE MEMBERSHIP SHOULD BE PERMANENT

Reconciliation, we have mentioned. I am very much concerned about a subject which does not affect you in the Senate, but which does affect the House, and that is the temporary nature of the House Budget Committee. I think that should be changed. I think it should be a permanent committee. I urge you, for whatever good works you can do in that area, to help us because it is essential that there be permanency and stability on the committee, certainly, as you can appreciate better than I.

I mentioned what our Committee for a Responsible Federal Budget is going to do on budgeting. I believe that Senator Bellmon has covered just about all of the other items that we are interested in.

INCLUDE OFF-BUDGET AND CREDIT BUDGET FINANCING IN RESOLUTION

We are interested in including off budget and credit budget financing within the budget resolution. We think that is a next step that you should do. Credit financing now is running over $20 billion a year, and we believe that steps should be taken to include that and subject that to the budgetary discipline.

Again, I want to commend all of you, Chairman Domenici and Senator Hollings and all of the members of the committee, for outstanding work which I think you have done in the past 2 years, and against great, tremendous odds. But, by golly, the budget process is working and Congress is disciplining itself, and I think you are to be commended for that.

Chairman **Domenici**. Thank you very much.

While I have a number of questions, I think I will go ahead and let the other Senators ask some before I take any. Is that all right with you, Senator Hollings?

Senator **Hollings**. Surely.

Chairman **Domenici**. Senator Kassebaum.

Senator **Kassebaum**. Thank you, Mr. Chairman.

I would just like to say that I think we are indeed fortunate not just in the House and Senate but in the country to have you, Senator Bellmon, and Congressman Giaimo, devoting the time that you are to following the budget process and ways that it can be improved and strengthened, both of you having been godfathers, so to speak, of the budget committees.

Chairman **Domenici**. Only Giaimo is a godfather. [Laughter.]

ELECTIONS WOULD NOT AFFECT 2-YEAR PROCESS

Senator **Kassebaum**. I would say that I would agree with, evidently, the consensus of opinion that it is too late for us to do much this year. But you both seem to have stressed a 2-year process, and that inadvertently, almost, we have made some improvement by having a binding, first budget resolution.

One question I have heard is that if we went to 2 years, which I believe would help strengthen both the appropriations and the budget process, and actually the entire manner in which we proceed on our fiscal policy, with elections every 2 years, this makes it very difficult. Particularly, evidently, in the House it has been pointed out that this would be a problem.

Have you given any thought to this, and ways that you feel this either would or would not be a problem to be avoided?

Mr. **Bellmon**. Senator Kassebaum, any time we elect a new Congress or a new President, that is going to mean that when the new Congress convenes, the existing budget is going to be carefully examined under any circumstances, and I think that is proper.

Certainly, President Reagan did not want to have to live for a whole year with President Carter's budget, so I am sure he had ideas of his own. So, if the first year of a new Congress were devoted to the appropriations and budget process, and then the second year the Congress would be free to look at legislation authorization, I do not see that the fact that an election is approaching would make any difference. As soon as the election is over, the first item of business would be the appropriations and budget considerations.

TWO-YEAR PROCESS WOULD BE MAJOR UNDERTAKING

Senator KASSEBAUM. Would you think that we could implement this relatively easily?

Mr. BELLMON. No.

Senator KASSEBAUM. You do not?

Mr. BELLMON. I would assume it would be a major undertaking.

Mr. GIAIMO. And probably because of the great changes in the appropriating process, I think.

Senator KASSEBAUM. But we are operating now under a continuing resolution most of the time, and I would think that out of all of our frustration we might really apply ourselves to making this change.

Mr. GIAIMO. Yes, but the administration's budgets are coming up on a 1-year basis. You would have to change that, and you would have to basically change the whole thinking of the 1-year cycle. I think that is your biggest stumbling block.

I think that from a budget standpoint, Congress probably would welcome going to a 2-year cycle rather than a 1; I know I would if I were still in. But you would have to get, I think, the executive agencies and the executive branch turned around, and also the appropriations specialists who would have to change their measuring sticks.

It would be similar, but even more difficult, I suspect, to when we changed the fiscal year, remember, and we slipped it 3 months. It took, I think, quite a few years before you got the executive branch people to agree that it could be done without great upheaval.

Senator KASSEBAUM. Would this be your first priority for budget reform, changing it to a 2-year process?

Mr. GIAIMO. Would it be what?

GREATER CONTROL OVER DEFERRED ENROLLMENT TYPE OF DISCIPLINE NEEDED

Senator KASSEBAUM. Your first priority. Do you think you would put this at the top of your list of changes?

Mr. GIAIMO. I have got two or three things that are important, and that is one of them. That would be one of two or three things. I think you have got to get some greater control, as I said, over the deferred enrollment type of discipline and things of that kind, and certainly this is another one, yes.

As you know, one of the problems with the public is that every time they turn around now and turn on their television sets or pick up a newspaper, they are reading about budgets, and they have got to be terribly confused. I know that many times when I have gone home, they will say, "I thought you passed that budget in May."

This was last year, remember. Was it before Christmas or Thanksgiving when we had the crunch?

Senator KASSEBAUM. It all becomes a blur; you are right.

Mr. GIAIMO. They were confused. So, anything that would give Congress a little more space and time, I think—a 2-year cycle, I believe, would do that.

Second, in the area of appropriations, separate and apart from budgeting, I think you could go to a 2-year cycle without doing harm to the public interest. In fact, I think you might benefit it because if you allowed them to plan on a 2-year basis, it might help some of the agencies.

Senator **Kassebaum**. Thank you.

Chairman **Domenici**. Senator Exon.

BUDGETING MORE BUT DEFICITS KEEP RISING

Senator **Hollings**. Jim has kindly yielded to me. I am supposed to be, as you well know, as all of us are, at some other thing.

Let me ask this of both of you gentlemen. You are not confused. You are hearing budgeting more and seeing less budget results. The fact of the matter is that I thought my friend, Senator Bellmon, would come because I know his disposition toward deficits. He could have gotten on that side of the table and just given me unshirted hell and said, "Look here, what in the world have you fellows done up here? You all have been budgeting, budgeting, budgeting, and as a result of all of this wonderful process, the deficit has gone from $100 to $116 billion."

We have got three estimates for the next deficit in 1983, the CBO at $155 billion, Federal Reserve at $163 billion, and Henry Kaufman and Solomon Brothers say a $166 billion deficit. And in years after, they go up, up and away. So, we are budgeting more and getting less of a result.

ECONOMIC LOSS AS REAL PROBLEM

Specifically, we are talking about a 2-year budget and other changes in the process, and we welcome your comments. But it is not that anyone is confused; they are just totally disillusioned because of the results. They say, "It all sounds good, but maybe we ought to just eliminate the whole blooming thing because no one would have ever contemplated these kinds of deficits." You give these politicians a little econometric model and education and they just go hog wild with some kind of economic theory.

I wrote in the first week of August asking the President for a special session immediately after November on the budget. I see my good friend, Senator Dole, has asked for it on social security.

The one problem is that we are talking about this 2-year budget, but the real problem is the economic loss, Bob, of 8 months more of bankruptcies and farms sold and everything else. If we do not do something right after the elections, then you wait until January when the President submits his budget, and then we meet here and we look at each other and we ask all the questions. Then we markup; and then we wait for the committees to act.

The only thing that force feeds us to a result is the Fourth of July holiday. I mean, we are so embarrassed that if we do not get it out by the Fourth of July, we are embarrassed to go home. So, the track record now is the end of June, just before the Fourth of July.

Now, should we really wait with the economic situation that we have right now, or what are the tools? I am feeling like I am in Alice in Wonderland. We are praising each other about the wonderful result and how we have got the one budget resolution rather than the two, and we have refined the process and we have constrained ourselves and we have avoided the turf fights, and everything else, as we give each other the good government award.

As I look at this result, what do you two gentlemen on the outside think, really? What should we do? Where are those tools for discipline, Bob, and what should we do now, facing these high deficits?

Mr. GIAIMO. I will try to respond, and I guess I will be responding mainly for myself, not for the committee.

Senator HOLLINGS. Yes.

DIFFERENCE IN OUTLAYS AND INCOME A CRISIS

Mr. GIAIMO. What we have here is a tool; we do not have a magic wand. But I think the tool, as feeble as it might be, is making a contribution. You have not solved the real problems, but this is the only process and the only group that is given the mission of trying to solve the problem and the crisis, and the crisis is what you are talking about.

The fact is that we are presently geared to a situation in Government where we have a difference of outlays and income of $100 billion to $150 billion this year, next year, and the year after. And the question is, What are we going to do about it?

The problem is going to be compounded, because I am sure that when you come back here in January, you are going to have to throw into the crisis pot the social security problems. To make it even more difficult, Congress has had over the last 20 years—and I am guilty of this, if it is a guilt; there are those who would say it is a noble thing, and it is in a sense—the question of indexing.

We index and protect people by indexing programs upwards, like social security and the others, to protect them against inflated costs. And now we have gone the other way and we have indexed the taxes and the receipts in the opposite direction to protect taxpayers against the inflation of their dollars, with the result that we are inflating upwards on expenses and downwards on revenues, further creating a gap.

You are going to have to face up to that. You know, people say, "Well, are you for or against certain programs?" That is not the point. You can be for programs or you can be against them, but I think at this point, with the massive deficits we have, Congress has got to come to the conclusion that if it is for programs, it has to pay for them, and that gets you into all kinds of controversial areas.

Should there be such a substantial tax reduction as there was? There are those who say yes and there are some who say no. You know that I resisted tax reductions for the last 4 years, and basically for that purpose.

But you have got to address yourself to this crisis problem, and I do not think that the 2-year cycle defers or delays it.

Mr. BELLMON. Mr. Chairman, could I respond, if Chairman Giaimo is finished?

Chairman DOMENICI. Certainly.

ECONOMY TOO LARGE AND TOO COMPLEX

Mr. **Bellmon**. I would hope that not only this Congress but future Congresses have learned a lesson about what happened in these last few years. The lesson, as far as I am concerned, is that the economy of this country is too large and too complex to be used as a laboratory for some far-out economic theory, and that is what you did.

You tried supply side economics, and it may have looked good on paper, but in reality it is a disaster, and I speak personally from the farming community. We are facing in this country a widespread bankruptcy of the whole farming industry, and some of you know it as well as I do.

In the community where I live, we have had a fairly large number of people, mostly young people, forced out of the business this year. Next year, it will be a lot worse. Another thing we are seeing is that the land values, which have been high and where farmers have benefited because of appreciation in land and where they have had a considerable equity that they could draw against by remortgaging their land—that is being wiped out.

On the last land sales I know about in our area, there have been no bidders, no takers. The land is there and people want to sell it, but there is no one who has the money or the ability to borrow the money to buy it. So, land values are starting down and it is likely, when they start down, that the process will snowball.

So, here is an industry that is very important to the country that is in very, very serious trouble, and likely to get a lot worse. So, I would hope that the budget process could stand in the future as a break to those who want to come in here and experiment. I would hope that whether we do it on a 2-year basis or a 1-year basis, we will let the experimenting go on someplace else.

UNEMPLOYMENT REAL VILLIAN OF HIGH DEFICITS

The fact is that those who would like to cut Government spending enough to balance the budget are dreaming. There is not room to cut, particularly not when the President wants to increase defense spending and when he wants to hold social security sacrosanct, because the real villian in the present high level of deficits is the high level of unemployment.

You all know the numbers as well as I do. When you put 1 percent, which is roughly 1 million workers, off payrolls and on to unemployment rolls, you increase the deficit by $25 or maybe $28 billion. So, when you have 10 percent unemployment, if there was a way to bring interest down and make it possible for people to afford homes and automobiles and refrigerators, and put people back to work, you could reduce the deficit very rapidly just by reducing unemployment.

So, my counsel would be to quit worrying so much about finding a place to save a few dollars here or there, and figure ways to get the economy moving again and get people back to work, and the deficit will come down dramatically.

Senator **Hollings**. Thank you, Mr. Chairman.

Chairman **Domenici**. Slade.

BIENNIAL BUDGET

Senator GORTON. Mr. Chairman, I have two separate, general subjects to speak to, and because of the discipline and this light here, if you do not mind, I am going to mention each of them. I would, then, like the comments of the two of you on each of them.

I may say in preface to that that as a new member of this committee, I have found the advice and the counsel of both of you as individuals and of your organization to be of great value in learning an entirely new subject and a new discipline, and I certainly hope that you will continue with it. It has been of great value to us and to the country as well.

I do, however, come from a background some years ago of having been a member of the legislature. One of you, at least, is a former Governor, and we still have one other former Governor sitting up here. I find it paradoxical. I worked for 10 years in the State legislature, which had a biennial budget which every progressive, reform-minded person in the State said was an utter disaster in that we had to have annual budgets, we could not possibly predict 2½ years in advance what was going to happen, we had to revise our assumptions every few months and to attempt a biennial budget was just to engage in the purest guesswork.

So, I must say that I come to this idea that one of the principal reforms which we can adopt is to do this on a biennial basis, to go through only one budget resolution and one set of appropriations, with a certain reservation.

I wonder if, in coming up with these recommendations, you have examined the experience of the States. Senator Bellmon said he did in connection with a balanced budget. I am not certain that it is going to be the reform that we felt that it would be.

I do think, and I totally agree with both of you, that the reform which we have adopted internally, effective this year, of passing essentially one budget resolution is a great improvement. But that leads me to the second subject of yours which I have questions on.

MORE INTEREST IN REFORM AND STRENGTHENING OF PROCESS

Both of you have taken what I think we took as gospel a year ago that we had created such a disruption in the way in which the committees had operated in the past and that the changes in this Congress had been so great, as necessary as I think we all felt that they were, that we took our lives literally in our hands to report to the floor any kind of amendments to the Budget Act, whether they had to do with a statutory balanced budget, going to a single budget resolution a year, a biennial budget.

Is that still true this year? Are we not still very much afraid of a situation which was relatively temporary in nature? I would say to you that while some of the objections, particularly from people outside of the committee, continue to be stated on the floor, my own impression is that it is far more muted and that there is far more interest in a genuine reform and perhaps strengthening of the budget process.

Are we ever, even when the deficit goes below $100 billion, going to have a situation in which these reforms are easier? Might it not be best for us to do it right now while people have fresh in their minds what the difficulties and what the advantages have been?

TWO-YEAR CYCLE CREATES TIME FOR OVERSIGHT WORK

Mr. GIAIMO. Let me respond to that. First of all, on the 2-year cycle, the processes that we adopt in the Congress are never cure-alls. They work for a while. You know, I am a great believer in the pendulum action in the Congress. We weaken the Speaker, historically, and strengthen the committees, and then the pendulum swings and it gets out of hand.

When I came here in 1958, we were fighting the terrible power of the Rules Committee and the relative weakness of the Speaker. And then the pendulum swings the other way. Some day, not under the present Speaker, but some day they will probably be fulminating against the terrible autocratic power of the Speaker vis-a-vis the committees, and they will have to revise it the other way; the same way with the 2-year cycle.

What I see as a benefit from it is the fact that it should contribute to some oversight work by the committees, which they presently do not do, in my opinion, to the extent to which they should. They also do not appropriate, frankly, under the 1-year cycle like they should.

One of the great benefits of this reform was supposed to have been the elimination of continuing resolutions and the more timely adoption of spending bills. That is not happening, and I suspect the reason that is not happening is because of the fiscal reality that the money is not there and you have to cut and trim and reduce efforts, rather than, as in the glory days of the 1960's, there was always more and we could always broaden and enlarge programs. That cools the ardor of an appropriator when he has to hold the line.

Therefore, I say he or she could devote their time better if they did some oversight work and looked at some of these programs and got rid of some of the low-priority ones in favor of the higher-priority ones. That is one of the real benefits, I think, of a 2-year cycle, because as it is now, as you know, the Congress is spending most of its time on its spending bills and hardly has time to do anything else; at least that is what we are told, and I believe that is correct.

On the other issue, is it true that it would be dangerous to bring the Budget Act up for changes at this time? First, as a practical matter, this year—and you know better than I when you are going home, but I expect that you are going to go home some time early in October. Certainly, that does not give you much time to do anything.

I doubt that it would be wise to bring this up in a lameduck session, if you have one. You would want to bring it up, certainly, with the new Senate and the new House Members in January.

HOSTILITY TO THE BUDGET PROCESS

But I have to say that while passions have cooled somewhat, there is hostility to the budget process. One of the sad things that disturbs me about Congress—and I guess Congress is no different from any other institution in that regard—but there is a great deal of turf-mindedness here. Again, I can talk with some authority on the House side, and it certainly exists there.

I will say for the record I wish we could find a way to better the relationships between the budget committees and the appropriations committees. In the House, I am saddened by the fact that there is not a better mutuality and working relationship with them. I sense an antagonistic attitude, and I am not interested in which committee is at fault.

As an outsider and as someone who is now a private citizen, I can say that I am beginning to notice the same thing on the Senate side between appropriators and the spending committees and the budget process. It is not healthy. These are the committees that should be working in harmony and not involved over turf.

When we suggest, as I did, the question of enforcement below the aggregates, deferred enrollments and all, of course, these are the committees that resent your having this kind of an authority. But someone has to have it, and it is not your committee, actually; it is the whole Senate and the whole House that has it.

So, there should be ways of developing mutuality and reducing the controversy. But it does exist not with all, not even perhaps with a majority, but with some. And I am afraid that in a moment of passion when these kinds of changes came up, you might make some changes that, rather than better the process or strengthen the process, might weaken it. You are always open to that kind of a risk.

When do you do it? I guess there is never any ideal time, as the chairman indicated earlier; I guess when you have surpluses, but, of course, when you have surpluses, you probably would not need a budget process at all. But I am afraid that this is not an ideal time.

Mr. Bellmon. Mr. Chairman, could I respond very briefly to Senator Gorton?

Chairman Domenici. Yes.

GOVERNMENT SHOULD GET ON COURSE AND STAY ON IT

Mr. Bellmon. Senator, you raise, I think, a good point that there are those who feel that Government cannot look ahead 2 years or 2½ years into the future. In fact, we cannot look ahead 2 weeks, as you know; nobody can.

But I would suggest that Government could provide a great service to the country if it would fix a policy and do its best to stay on it. For example, I serve on the board of directors of a corporation that is holding in abeyance an investment of some $400 million in a major facility, and the reason they are holding back, really, is because they do not know what direction the Government is going to take. There is such uncertainty as far as what interest rates will be and what the rate of inflation is going to be and what demand will be.

So, I would suggest Government perhaps would do a better service, rather than trying to react to what seem to be these constant changes, if it would get on a course and stay on it, and then perhaps the changes would settle down and not be quite so dramatic.

Senator Gorton. Thank you both.

Chairman Domenici. Senator Exon?

Senator EXON. Chairman Giaimo and Senator Bellmon, I just cannot thank you enough for coming back. I hope that you will be here frequently, because I think the Committee for a Responsible Federal Budget and those of you who were here and are now on the outside can be of great help to us in the future, so please come back often.

I take exception with the statement that I thought Senator Bellmon would respond to by Chairman Giaimo when, in typical eastern fashion, he indicated that Senator Bellmon had returned to his ranch or farm in Oklahoma. That is not, Mr. Giaimo, an asset; that is a liability. [Laughter.]

Senator EXON. Evidence the fact that he is now progressing to welfare. [Laughter.]

Senator EXON. That is a typical progression of events that is going on now. By the way, I notice that Chairman Giaimo has a new suit and Henry Bellmon has the same suit on as when he served here, which I think is further evidence of what is going on in the economy today. [Laughter.]

CONGRESSIONAL BUDGET INDICATES DOUBLING OF NATIONAL DEBT

Senator EXON. Everything is not all bad practicing law, Chairman Giaimo, in Washington, D.C.

Becoming serious for a moment and echoing the words that I think were first said here today by my friend from South Carolina, frankly, gentlemen, although we work hard and although we have done some good things, I have never been more alarmed about the budget process than I am right now.

The Congressional Budget indicates, in round figures, that the $900 billion deficit that we were facing in 1979 will grow to about $1.8 trillion by the year 1985. So, from 1979 to 1985, 6 years, essentially we are going to be doubling the national debt of the United States. I see no way in which that can be marked as progress.

We have tried many things. Certainly, it is obvious now that for whatever the reason, the business tax cuts that we instituted have had the opposite effect. Businesses are putting less in plants to put people back to work. Certainly, by the figures that came out yesterday, it is clear that regardless of the personal tax cut, the people are not spending this to help bring us back from the serious recession or depression that we have in many areas. Please, keep those in mind and advise us on them.

RESTRUCTURE PROCESS WITH REGARD TO CAPITAL BUDGET

A specific question that I have—and it came up with regard to the debate on the balanced budget amendment—many learned people wrote me and said, "You should not have a balanced budget amendment for several reasons, and certainly not before you restructure the old budget process in Government with regard to having a capital budget that has some way of not reflecting the building of a bridge as an outlay in a certain year because it is a 20-year investment."

I am not necessarily either for or against this concept, but it has been brought up by so many learned people that I thought that maybe each of you would like to express your opinion as to whether or not we should do some restructuring to get a better picture of what the budget of the United States is.

KEEP ALL GOVERNMENT SPENDING ON BUDGET

Mr. **Bellmon**. Mr. Chairman, if I could respond, I am of the opinion that everything Government spends ought to be kept on budget, Senator Exon. The reason is, if you have a capital budget, then who decides what is a capital investment?

For instance, is an investment in a bridge any more of a capital investment than an investment in educating our young people? They are going to return a vast amount to the Treasury because they will earn more and make a greater contribution, once they are educated.

So, to me, this is the great danger in a constitutional balanced budget amendment. Congress will be forced then to find ways, I believe, of skirting around it, and the capital budget is one of those ways, and putting matters off budget, which I understand you did now with the strategic petroleum reserve. We had it onbudget.

I remember when President Carter sent us a request for, as I remember, $5 billion for IMF. He wanted it off-budget, which we refused to agree to, and I think we were right. Unless we keep it all out on top of the table and know what the Government is doing, we really would not have the picture in focus at all.

BUDGET PROCESS CAN CLAIM CREDIT FOR SAVINGS

Mr. **Giaimo**. Notwithstanding all of our best efforts, the fact is that we still have these horrendous problems. Senator Hollings made reference to that fact earlier.

I think that the budget process, while it has not been a cure-all, is the first step by Congress to address these problems. I think it has to do a great deal more, and it will be forced to do it. Next year, I think it is going to be forced even more by the crisis situation that will confront us in the social security area, hopefully, if not in other areas in the economy, for example.

But I am not sure, for example, that if you did not have a budget process, we would not have had business as usual in the Congress—spending and eliminating taxes, in a casual, piecemeal way. I think that the budget process can claim a substantial part of the credit for savings of $20 billion in revenues and $10 billion in spending this year.

You will have an increase of revenues of about $96 billion, and spending reductions of about $40 billion over the next 3 years. That is not an unsubstantial amount. I think that the process can take some of the credit for that for directing Congress in this direction.

I remember, just a few years ago, we were busy providing for the needs of the various agencies and groups, and no one ever sat down and added it up until the end of the fiscal year—actually, until the fiscal year was over.

I do not think you are responsible for these huge deficits, as some people have suggested in the past. And I think you have made a contribution to getting Congress to focus on them. I do not think there is more that you can do than that, than getting Congress to address itself to the deficit problem.

NO CAPITAL BUDGET

Senator EXON. How about the capital budget? Do you agree with Senator Bellmon?

Mr. GIAIMO. That there should not be a capital budget?

Senator EXON. Yes.

Mr. GIAIMO. Absolutely. I am a believer that we should bring everything on budget, as we started to do a few years back when we were trying to get off-budget items on and credit budget items on.

If we start playing the game now of capital budgets and off-budget items, the purpose of all that will be what? The purpose of all of that will be to send out an image that we are in balance, when, in fact, we will not be.

Senator EXON. Thank you.

PROCESS EXPECTED TO DO MORE THAN IT CAN

Chairman DOMENICI. Senator Grassley, I was going to call on you next. I wonder if you would defer to me for about 3 minutes, and then I will leave.

Senator GRASSLEY. Sure.

Chairman DOMENICI. I apologize. I have an appointment downtown at 11:30, so I will not get to spend much time with you. I much appreciated your observations.

Frankly, your prime advice here is do not amend the budget process now. But I think while you have praised it, both of you are aware that it needs some fixing up, and it needs it rather dramatically and drastically.

I do not think we can do anything until next year in any event, but I sense a little bit different problem. I have never expressed it quite this way, but I think maybe the entire leadership has to be concerned about this process enough to be worried about the opposite—that if we do not amend it, it may be in more trouble than if we try to.

It is expected to do more than it can. Consequently, Senators and Congressmen vote, only to find that the vote on a budget is not what it turns out to be because the process does not permit it to be what they thought it was. And because the budgets are so dramatically impacted by economic assumptions, I am fearful that the hard votes that occur on the floor that do not turn up in reality 6 months later or 9 months later may begin to diminish, rather than strengthen, the support by way of hard votes on the floor.

It seems to me that there are three or four things that we do not do and cannot do that, sooner or later, we have to address. I think we are supposed to be a priority-setting Committee, but when you look at whether we can really do that or not, the answer is probably, no, we cannot.

VALID CRITICISM FOR EXISTING DEFICITS

There is valid criticism for the deficits that exist, but I look back on the last 2 years and we are only a committee of the Congress. We cannot be bigger than its desire, and we cannot force beyond its desire. I have never seen such strong support in both institutions for military preparedness. If this committee would have reported out a $50 or $60 billion diminution in the President's military budget, what do you think would have happened? You do not have to answer. It would have been amended and they would have put in close to what the President asked for. I mean, that is just the reality of it.

I am not passing judgment on where I would be. I am merely saying you can only do so much. From the standpoint of the big item in the budget aside from military, the income transfer programs of this country—that is, pensions and the like—there, again, we can lead and push and shove, but we can only accomplish what the will of the two institutions is.

We tried $40 billion worth of social security reform for solvency, and what happened? The political will of the two institutions would have had this committee out of business, had we not taken that out, after we had the courage to vote it in here.

So, I do not think we can blame the entire end result on this committee, but rather when you look at the hodge-podge, I think we have been rather innovative in the way we have used the budget process.

MULTIYEAR TAX ENFORCEMENT

Would you ever have thought that we had the authority to direct the Finance Committee on a multiyear basis to change taxes? I guarantee you, Senator Bellmon, when you and I were on the committee, we could not even mention that. Now, we have got multiyear enforcement on the tax side both ways, I assume. Maybe the Congress does not assume so yet, because the only thing we have ordered is the raise. But I assume we have jurisdiction to order a reduction over 3 years, and probably force it, and probably get a vote and it probably would be binding. I think that is rather significant, compared to where we were when we started.

MULTIYEAR RECONCILIATION

Multiyear reconciliation on the expenditure side—that first omnibus reconciliation bill was a great big gamble, but I do not think the substantive law of this country would have been changed in many of those areas without reconciliation against authorizing committees. I think they are going to begin to look at it differently than they did. I think they are going to begin to look at the fact that their power in these two institutions—that is, the authorizing committees—has been weakened over the last 20 years.

They are the ones who ought to be setting priorities for the appropriators, and you know, Congressman Giaimo, that they do not. As a matter of fact, the appropriators decide almost everything within the jurisdiction of the Health and Human Services and Labor Committee, except entitlements, because they leave laws on the books that are totally irrelevant and the appropriators do what they want with them.

So, basically, I am not so sure that in looking at amending this process that we are not asking the process to do too much. It would appear to me that maybe it is time to look at the whole system in the Congress, and for the leadership to look at the committee structure again and all of those things that go into making it a more comprehensive and moving-in-the-same-direction kind of Congress.

POINTS OF ORDER AGAINST INDIVIDUAL BILLS

But there are three or four things that are as important as the 2-year one. For instance, it seems to me that one of the first things we ought to do is decide whether or not there should be points of order against individual bills, as contrasted with the cumulative totals. I think you both know that that is a very, very difficult proposition. You just keep adding them up until they break the bank, and then you cannot go back and undo anything. That one has got to be considered.

You would do it by way of delayed enrollment. I suggest that we have not found a technique to make the deferred enrollment work yet, Chairman Giaimo, and I am not sure it will.

INCOME TRANSFERS OR ENTITLEMENT PROGRAMS

And then when you look at it finally, the problem of income transfers or entitlement programs is the giant where we have to decide on a priority-type basis if we can afford that kind of program and all of its makeup for the next 25 or 30 years.

It is rather difficult for this committee to do a lot about that when, you know, it is led by social security. We have to kind of react to that one, it seems to me, for a while, rather than be the ones who take the lead there because it is not perceived to be a budget item. But it is; it is probably the most significant budget item in terms of the future of anything in the budget—the entire pension programs of all types.

RELATIONSHIP BETWEEN COMMITTEES IS BETTER

So, I would hope that you would not be so reluctant early next year to take a real look at at least five or six things that we might do. And I would say that in the Senate—I agree with Senator Gorton—I think the relationship between the committees is better than it ever was, instead of the opposite.

I do not think the Finance Committee is the least bit angry at this committee. In fact, I think they welcome being directed in the area of entitlements and in the area of taxes, as long as they think there is some consultation en route. I think they do not think they can get where they ought to be without the direction.

I think we are getting along fine with the appropriators. Next year is the first time we have crosswalks in place, I say to both of you, on all the appropriated accounts. And if they leave them in place and follow them, it seems like they could come in right within the budget. But that is not going to solve things.

Senator Bellmon, we just got a note that Commodity Credit Corporation is going to be $6 billion over what we estimated in the budget. Now, that is a pure function of entitlements—a bumper crop and no foreign markets, and we have got to spend that money to get under that program. There is nothing this Budget Committee can do about that. I do not think anybody would suggest that we pass a special resolution asking that they change the farm program in midstream.

So, it is a very complicated process, but it seems to me that there is a limit to our ability to improvise around this law. The main things you have told us we have done well are pure innovation and, to some extent—I do not want to use the wrong words here—well, anyone looking at it 8 or 10 years ago would not have assumed we would have multiyear reconciliation like we have. They would not have assumed we would have a first being a second, and all those things.

I just do not know how much more we can do in an effort to keep the process alive. Now, I have not asked you any questions, but I just thought I would exchange my views with you all up here and hope that you will look at it from the standpoint of making sure we keep the process alive, and it has got to work somewhat to be kept alive, it seems like.

RESOLUTION NEEDS MORE SPECIFIC-TYPE CHANGES

There are all kinds of issues. These Senators have voted on the floor on the budget assuming they were restraining COLA's across the board, only to find that when you come back with a substantive law, it is completely different than they voted for because of the nature of this act. I mean, you only order a certain amount of savings; you do not order the changes.

I am not suggesting we ought to order more specific-type changes, but I am wondering if, sooner or later, there might be an extraordinary process to vote on that, where you put in the resolution something, in the big, big picture, that is more specific. I know that, from a committee standpoint, that makes one cringe, I guess, and worry about it.

But I am somewhat concerned that we are not going to continue to get the hard votes if the final product does not come out looking more like that which they thought they voted for, and that does concern me greatly.

I do not think economic assumptions are understood; they are 85 percent of the changes, I think, that occur from the first to the second resolution. It would be my offhand guess that the changes are a result of economic disparities, not programmatic. While CCC and the military generally have trouble as to how they spend or do not spend in comparison to your estimates, most of the budget spends pretty close to the estimates.

Do you have any observations?

CONGRESS BEING FORCED TO LOOK AT ITSELF

Mr. **Giaimo**. I would like to commend you on your statement because I think you have really put your finger on what the real problems are that face us. At the beginning of your statement, you ticked off many of them—the pension programs, problems with income transfer, points of order against individual bills. I think you mentioned defense in there, also.

But the early part of your statement that it is time to look at the whole Congress itself—I think that is what Congress really is going to have to do. Where is it going? What is it going to do about the real uncontrollables, the transfer payments, and things of that kind.

I think Congress is being forced to look at itself, unwillingly, perhaps. Chairman Bolling of the House Rules Committee constantly has said that it is time to question whether or not this institution can manage the country's affairs. There is a serious problem as to whether or not we can properly manage the Government's affairs.

I think the budget process is making a contribution to the Congress and forcing it to focus on that terribly, difficult problem.

Mr. BELLMON. Mr. Chairman, could I comment just very briefly before you leave?

Chairman DOMENICI. Surely.

CLIMATE DEVELOPING FOR AMENDING ACT

Mr. BELLMON. I am not sure I disagree that there will be a time when amending of the Budget Act is appropriate, and the Members here know better than we would from a distance when that time will be.

But I would suggest that a time will arrive when there is an environment here that would let the act be amended without the hostilities that exist to some degree. I think I agree with you, Mr. Chairman, that they are probably not as great on the Senate side as they may have been earlier.

I can remember, as I think everybody in the room can, the monumental battles we used to have between Chairman Muskie and Chairman Long, and also the fact that Chairman Magnuson never seemed to be willing to agree that we had a Budget Act. It was rather remarkable that even though Chairman Muskie served on his committee, he chose, as chairman of the Appropriations Committee, to feel that this was kind of an extraneous exercise and we were trying to do business as usual.

I remember the day that in the committee, he moved $4 billion from defense to the program he was responsible for in the social area. He crosswalked it very quickly with hardly anyone even noticing. That sort of thing does not happen any longer, I am fairly certain. So, I think that kind of climate is developing, and when it has developed is the time to work on the act in the areas you mentioned.

CONGRESS MAKES THE DECISIONS

I would like to make one or two other comments regarding the statement you made, which I agree was a very excellent statement. First, it is true that this committee is not bigger than the Congress, and anyone who thinks it is, dreaming.

The Congress makes the decisions. All this committee does is try to bring it all together and give the Congress a proper vehicle from which to work out the decisions that have to be made. And if the decisions have been wrong recently, it is not because the process is wrong. The process is here, and let the Congress work its will.

AUTHORIZATION PROCESS WEAKENED

Also, you make comments, Mr. Chairman, about how the authorization powers have been weakened by this process.

Chairman DOMENICI. No, I did not mean that. In fact, I think we might have set the stage for them to regain some of their power.

Mr. BELLMON. But the problem is that the committees, at least the ones I have served on, have never really taken the authorization process seriously. Authorizations have been a wish list. You sit down in that authorizing committee and dream up all these great things to do. You never give any concern to whether the money is available.

I remember, particularly in the Ag Committee, my goodness, if you had let us get away with it, we would have spent all the money in the Treasury, I suppose.

Chairman DOMENICI. Yes.

Mr. BELLMON. So, it is not that this committee has changed the authorization process. It is the fact that the authorizing committees have really not taken that responsibility as seriously as they might have.

Chairman DOMENICI. Thank you very much.

Senator Grassley.

(Whereupon, Senator Gorton assumed the chair.)

CHANGING LAWS WILL NOT SOLVE PROBLEMS

Senator GRASSLEY. Thank you, Mr. Chairman.

Senator Gorton raised some observations that came to my mind regarding changes in the budget process. I, too, was a member of the legislature which went from the biennial to the annual appropriations process and then back again—I think they are, in my State, back to a biennial budget—and I long wondered whether or not the change in the appropriations machinery really makes a lot of difference in the end. I also wonder whether or not, in talking about it here today, we are really running counter to what the trend has been in State and local governments.

I really have reached no conclusion on the whole point. But I sometimes think we are more concerned with the machinery of the budget than with what the end result is. I submit that the end result that we should be after here is to change the mind set of policymakers regarding budget matters.

We have had a mind set throughout the last 20 or 30 years that it really did not matter whether or not income was equal to outgo or whether there was any close relationship between the two at all. I think now we must reach the point where legislators realize we cannot have the mounting deficits we have always had, and that merely changing the machinery or specific laws is not necessarily going to solve our problems.

ATTITUDE TOWARD PROCESS TO MAKE FINAL DIFFERENCE

Now, nothing I have said to this point is meant to detract from the efforts of your committee to refine the process and to make the act work better. I think maybe I look at changes in the Budget Act a little bit like you two gentlemen do. My staff indicated to me that you both are opposed to a constitutional amendment for a balanced budget. I sense that you think a balanced budget amendment is simply an attempt to write something into the Constitution that can be skirted by Congress, and so it will not really accomplish anything. If Congress wanted a balanced budget, we could have one right now. I guess I would have to agree with that.

On the other hand, I have been on the other side of that issue. I have supported the balanced-budget amendment because I think it encourages legislators to maintain a sound mind set and sound long-range thinking on budget matters. For instance, in my State we always have a balanced budget whether liberal Democrats or conservative Republicans control the legislature.

My experience in the legislative process leads me to think that a balanced-budget amendment will work in the Congress of the United States; at a minimum, it would help to formulate that sound mind set.

So, I guess the point that I am really trying to make is that it is the attitude toward the whole process that is going to make the final difference, as opposed to specifically what the legislation is. I think you have made that point, and I would just ask you if there is agreement with me on that point because I think you would see that as a goal as well.

CONGRESSIONAL TOOLS NEEDED TO SOLVE FISCAL PROBLEMS

Mr. GIAIMO. Well, you are asking for agreement or disagreement. I agree that we have to have tools in the Congress, and I think the budget process is one of those tools. I think we have to have tools in the Congress to address ourselves to our fiscal problems, both revenues and expenditures, in a more orderly fashion.

I do not think we can tolerate excessive deficits in the magnitude of $100 billion to $150 billion a year. I do not think that the tool for this should be a constitutional amendment. I do not think it is a constitutional matter. I think it is one that is a disciplinary matter not only within the Congress, incidentally, but within the administration.

I mean, here is the President of the United States asking for a constitutional amendment on a balanced budget, and he himself is sending up a budget here which is out of balance by somewhere between $100 and $150 billion. I do not fault him for that; the reality compels him to do that.

I do not want to send out wrong signals to the American people. I do not want them to think that Congress or the administration can, through some law, solve the problem, when, in fact, there is only one way to solve the problem, as you know, and that is to get a better relationship between your income and your expenditures, which has to be a long-term thing because it involves those issues which Chairman Domenici mentioned just a few moments ago—the problems of income transfers, pensions, and many other items.

So, yes, I am in favor of tools to help or compel, if you will, Congress to address this crisis of deficits. I think deficits are terribly dangerous to the American economy and to the world economy. I feel that, and I do not think we have all the time in the world either. I think we are being threatened and we are beginning to recognize it as a people, but we do not have all the time in the world. I do not think that the answer and the solution to that is a constitutional approach.

Senator **Grassley**. Except on the last statement you just made, I guess I associate myself with your remarks.

WAYS CAN BE FOUND AROUND BALANCED-BUDGET AMENDMENT

Mr. **Bellmon**. The fact is, Senator Grassley, that even though States do have, our State among them, requirements for a balanced budget, States have capital budgets. In our State, we from time to time vote very substantial bond issues which require the approval of the people. But if you take those into account, we have found ways around the balanced budget amendment. I think the Federal Government would be forced to do exactly the same thing.

My concern about amending the Constitution basically is that it would only add to the cynicism people feel toward this whole process. They would, I think, eagerly vote to have a constitutional requirement for a balanced budget, and then, once they woke up to the reality that it did not make that much difference, they would be further disenchanted by the whole process.

Senator **Grassley**. That obviously is a possibility and one that I hope does not materialize. Thank you very much.

Senator **Gorton**. Under those circumstances, I, speaking for the chairman, will thank you for coming and for your counsel and advice, and say that as important as today was, your continuing concern will be much appreciated.

Mr. **Bellmon**. Could I say, Senator Gorton, that the main purpose of our organization is to provide public understanding and support for the process, and I would invite you to make use of us in any way you can.

Senator **Gorton**. Thank you.

Mr. **Giaimo**. Thank you.

[Whereupon, at 11:41 a.m., the committee was adjourned.]

[The statements of Mr. Giamo and Mr. Bellmon follow:]

TESTIMONY

to be delivered by

CONGRESSMAN ROBERT N. GIAIMO

and

SENATOR HENRY BELLMON
CO-CHAIRMEN

on behalf of

COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET

before

THE COMMITTEE ON THE BUDGET, U.S. SENATE

on

September 14, 1982

TESTIMONY

Don't Try to Amend the Budget Act This Year

Mr. Chairman, we are testifying today on behalf of the Committee for a Responsible Federal Budget.*

Our Committee is concerned for the survival of the Congressional Budget Process.

The deficits we face, and the options for reducing them, are so politically loaded -- we fear that like kings of old Congress may kill the messenger, rather than face the music. And the Congressional Budget Act and process are the messenger.

Let us say at the beginning, it is not our position that the budget process as we know it is perfect; but we do believe it is the best hope we have to promote responsible fiscal policy for the country.

There will always be differences of opinion about spending and tax priorities; but most informed observers, indeed most taxpayers, agree we must have a system within which we first agree on aggregate fiscal policy, then decide among competing priorities. The Congressional Budget Process is all that exists to achieve that objective.

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*/ The Committee for a Responsible Federal Budget is a bipartisan private nonprofit organization formed to support and strengthen the Federal Budget Process.

The Committee is Co-Chaired by Robert N. Giaimo, former Chairman of the House Budget Committee; and Henry Bellmon, formerly Ranking Republican on the Senate Budget Committee. Brock Adams, Roy Ash, James T. McIntyre, Jr., Delwin Clawson, Howard Moskof, Alan Greenspan, Edmund S. Muskie, John H. Filer, Robert Strauss, James Lynn, Peter G. Peterson, Al Ullman, and Elmer Staats are on the Board of Directors.

There are ways in which we would modify the existing process. We are well aware that many others are anxious to alter our budget systems. But there are no changes so compelling that we would recommend floor consideration of amendments to the Budget Act this year.

We understand that the specter of the Constitutional amendment which passed the Senate earlier this year has the potential to force floor consideration of budget process change. We believe that statutory change is vastly preferable to trying to write budget rules into the Constitution. We congratulate Chairman Jones, Congressman Foley, and their co-sponsors for the work they have done toward crafting carefully considered amendments to the Act to improve the process.

"Haste makes waste" may be a cliche, but you should heed its warning when you open up the Budget Act.

There are those who want to kill the budget process. It will not be easy to enact changes which strengthen our budget systems. Success will require prior consensus around the kinds of changes that are necessary and appropriate. That consensus simply does not now exist. And there is not time in the next month to achieve consensus.

Resist the siren song of short-term political gain. Resist the urge to rush to judgment on mechanical devices designed to balance the budget -- be they Constitutional or statutory. Those devices cannot, in any case guarantee the political courage necessary to make the choices required to balance the budget.

Take your time. Do the job right. Never was there a task more worthy of the investment of time and effort. Budgeting is at the very heart of our political system. It is not overstating the case to say that the future of the country may depend on the outcome of this debate.

We are pleased to have an opportunity to appear before you today -- to offer our thoughts on Budget Act reform and on the specific legislation before you. These hearings can further debate on these issues enormously.

We will attempt today to address some of the specific legislative proposals before you -- then speak to the more general concerns of our Committee with regard to any amendments to the Budget Act and process.

The Constitutional Amendment

S.J. Res 58 (H.J. Res. 350) is not, strictly speaking, a "balanced budget" amendment.

Its focus is at least as much on tax limitation, as on balanced budgets. Moreover, the amendment attempts to ensure balanced budgets by requiring super majority votes to enact "budget statements" (the current law equivalent of which would appear to be budget resolutions) in which outlays exceed revenues.

The language of the amendment does not address budget authority. It does not create any new sanctions against legislation which would create the authority to enter into obligations which could cause expenditures to exceed income. In other words, on the face of it, the Constitutional amendment now pending appears to require that we manage federal fiscal policy on a cash-flow basis (and over a relatively short time period).

The amendment says Congress and the President should ensure that actual outlays do not exceed statement outlays. That's like saying expenditures should not exceed total outlays contained in the most recently adopted budget resolution. We can all remember times when, if Congress had gone home the day after they adopted the budget, outlays would have exceeded the amounts in the budget.

You all know the reasons this is so. It is so much easier to adopt a budget which includes politically attractive totals for spending, revenues and deficits than it is to adopt -- or change -- laws consistent with those totals. The sensitivity of the Federal budget to economic conditions can create wide swings based on relatively small estimating errors. And the very size of our budget makes accurate estimates of total Federal fiscal activity very difficult. (A 10% error factor can account for a $70 billion change at the margin.)

This raises two questions with respect to the Constitutional amendment now pending: Do we really want to try to manage federal outlays as discretely as the drafters of the amendment would have us do? And if that is our intent, how could we do so without extraordinary sanctions against spending legislation which could cause the outlay ceiling to be exceeded? (A final -- and inevitable -- thought on this subject suggests itself: What kinds of judicial review and/or penalties could ensure the application of any Constitutional or statutory sanctions against budget-busting legislation?)

Who would determine -- prospectively -- if the budget were in balance? On what set of economic assumptions would they make that determination? (Rudy Penner has suggested that, as an economist he can almost look forward with glee to the day on which the Supreme Court finds a set of economic assumptions unconstitutional.) And if the courts found a budget unconstitutional, what could they do about it? Should they order Congress to go back and re-do the budget, change the law? Should the courts decide among competing budgets, as they have chosen among competing plans for re-districting? These are not facetious questions.

We cannot afford to be so cynical as to adopt a balanced budget amendment, reap the political rewards of that action, and expect the voting public to accept the inability of the political process to produce the result that amendment required -- no matter how good the reasons for that failure.

We are concerned that confronted with a Constitutional mandate to balance the budget this year, Congress would simply change the accounting system, move spending off-budget, or in some other fashion comply with the letter of the law without substantially altering the role of the Federal government in the economy.

We are concerned that this outcome would undermine public confidence in the political system. That confidence has already suffered erosion, largely because the system cannot seem to come to grips with the decisions necessary to address our economic problems.

We are seriously concerned about the level and trend of the Federal deficit. Congress must act to bring the deficit down substantially. And you must act soon.

Clearly process does effect product. We are concerned about the budget process because we believe it is necessary to orderly, responsible fiscal policy decisions. And a stronger budget process could help offset the biases in the political system toward higher spending and lower taxes, and the resulting deficits. But, as we said at the outset, we favor statutory to Constitutional means for putting in place changes in our budget systems. So let us address some of the statutory changes that have been suggested to help ensure Congress will live within the spending and tax levels you enact in budget resolutions and put a premium on the adoption of balanced budgets.

The Jones Foley Bill

On August 19th, Chairman Jones, Congressman Foley, and others circulated a draft of a statutory approach to a balanced budget requirement. That legislation includes the following provisions:

- Requires the President to submit a balanced budget (or explain why he does not, based on economic necessity or national security)
- Requires the Budget Committees to report budget resolutions that are in balance (even if they also report and recommend other resolutions which are not in balance)
- Establishes priorities the Budget Committees must follow in balancing the budget. Social insurance (including social security) and national defense take priority. Grants to other levels of government get cut first.
- Requires three-fifths vote to waive the spending ceiling or revenue floor.
- Reduces to one the number of required budget resolutions each year.
- Directs Budget Committees to study budget and accounting systems and recommend any changes necessary for the Federal government to operate under a balanced budget.

-- Requires Chairmen of the Budget Committees to agree with a representative of the President on a common set of economic assumptions, and on "trend" GNP.

-- Transitional provisions are intended to reduce spending as a percent of GNP to 20%.

The law used to require the President to submit a balanced budget. [The balanced budget was always buried as a set of not very attractive alternatives to his recommended budget -- and no President ever used this legal requirement (enacted in 1979) as an excuse to say he had to submit a balanced budget.]

The President's budget is his recommendation and a statement of his program. Its hard to imagine how a change in law would change that, no matter how it is drafted. It might be more useful, from a practical point of view, if the law required the President to explain how and when he recommends the budget should be balanced, if the budget he submits is out of balance.

The requirement that the Budget Committees report a balanced budget had very salutary effects, when it was tried in conjunction with the 1981 budget cycle. Forcing the Budget Committees to go through the choices necessary to report a balanced budget may help point the way to the compromises necessary to achieve that objective -- even if it cannot be reached in the current year. Making the Committee -- and Congress -- choose between a balanced, and an unbalanced, budget loads the process in favor of the former.

A word of caution may apply, however, the temptation to vote for a balanced budget could be so strong as to ensure that budget is adopted each year -- whether or not Congress is prepared to change the law to live within the limits it prescribes.

The attempt to write budget priorities into law is unwise. The language of the Jones Foley draft recognizes what are the overwhelming political imperatives of our times. And it is arguable that those imperatives are likely to remain so strong as to make moot reservations about writing them into law. But well-intended actions such as this have a way of producing unanticipated, unattractive, consequences. An analogy might be drawn to the indexing of entitlement programs, which was intended to save money. It didn't turn out that way. And no one on the Budget Committee needs to be reminded how difficult it is to undo that kind of legislation once it becomes law.

Our Committee supports moving to a single compulsory budget resolution each fiscal year. The budget debate has dominated the Congressional Calendar to an extraordinary extent in recent years. This would not foreclose Congress' option to consider a subsequent resolution, if that seemed appropriate, sometime later in the fiscal year. In fact, the Jones Foley proposal explicitly recognizes that Congress can revise the budget as often, and whenever, it finds such action necessary. (As a practical matter, Congress has revised the second resolution in the Spring, two-thirds of the way through the fiscal year, in FY 1978, FY 1980, FY 1981 and FY 1982.)

Clearly, Congress can alter the budget when it is convinced of the necessity to do so. And equally clearly a compulsory revision in the Fall has not forestalled the need to revisit the budget yet again later in the year. Why, therefore, schedule two resolutions and start adding from there? Why not do the job once, in the Spring, and only revise the budget thereafter if there is a solid case for doing so?

The Jones Foley draft would make the first budget resolution binding. This approach might have the salutary effect of encouraging more serious attention to the accuracy and credibility of the numbers in the Spring resolution.

Until last year, Congress may have made mistakes, but we never passed a binding budget resolution within which we knew we could not live and said so when we voted on it.

On the other hand, the Congressional record is full of debate on first budget resolutions to the effect that, "if we cannot live within these totals, we shall have the opportunity to change them when we consider the second resolution in the Fall."

Many of us have said in the past, Congress has an obligation to act on budget resolutions as required under the Act, if only to preserve our own budget process. But let us say now, about budget resolutions with which we cannot live in general -- and about the second budget resolution for FY 1982 in particular -- neither the budget process, nor Congress, is well served by adopting completely unrealistic budget resolutions.

A sound budget process presupposes credible budgets; and anything which has the effect of causing Congress to give serious thought to the constraints implied by budget resolutions when those resolutions are adopted, would be salutary indeed in our view.

The Jones Foley draft proposal would accomplish this objective and its clear, explicit, recognition of the ability of Congress to revise budgets as necessary should assuage the concerns of those who worry that adopting a binding budget in the Spring could put fiscal policy in a straight jacket.

The requirement in the Jones Foley proposal that both Houses and the Administration agree on a set of economic assumptions could be a major contributing factor to making the budget debate more understandable, as well as to focusing the budget debate on policy instead of numbers differences.

Two areas of budget process concern, to which the Jones Foley proposal does not speak, and to which Budget Act amendments should address themselves if they are to encourage balanced budgets are: Credit budgets and off-budget expenditures; and enforcement of the budget at some level below the aggregates.

Any discussion of credit budgets has two components. Credit programs are somewhat different than direct expenditure programs. As the word credit implies, we expect repayment of some or all of the cost we incur in conjunction with these programs. That feature of credit programs suggests a different accounting system for them -- thus the discussion of a "credit budget".

The off-budget aspect of much Federal credit activity, however, raises a whole additional set of issues. The table on the next page lists off-budget entities of the Federal government, and the Administration estimates of the outlays of each 1981 - 1985.

Clearly, the Federal Financing Bank is the largest off-budget entity of the Federal government. It has become a conduit through spending in many programs which appear in the budget is moved off-budget.

The Strategic Petroleum Reserve was moved off-budget just last year, to avoid a decision either to cut that program, to cut something else, or to bust the budget. The other programs which fall into the off-budget category are there largely because their proponents want to avoid budget scrutiny of them.

This is the most insidious aspect of off-budget activity. It avoids scrutiny. And the temptation to engage in more, not less, of this kind of gimmickry will increase if Congress adopts a Constitutional amendment or statute designed to ensure a balanced budget.

TABLE : - OUTLAYS OF OFF-BUDGET FEDERAL ENTITIES (By fiscal year, in billions of dollars) 1/

	Actual 1981	Administration Estimates			
		1982	1983	1984	1985
Federal Financing Bank	21.0	16.2	12.1	11.0	7.8
Strategic Petroleum Reserve	---	2.8	2.8	2.3	2.2
Postal Service Fund	0.1	0.6	0.7	0.9	0.8
Rural Electrification and Telephone Revolving Fund	*	---	---	---	---
Rural Telephone Bank	0.1	0.2	0.2	0.2	0.2
U.S. Railway Association	-0.3	-0.1	*	---	---
Synthetic Fuels Corporation	---	---	---	---	---
Total	21.0	19.7	15.7	14.3	11.0

*Less than $50 million.

1/ An Analysis of the President's Budgetary Proposals for Fiscal Year 1983, The Congressional Budget Office, page 24

The Mineta Bethune Bill

The Mineta Bethune bill would amend the Budget Act to require binding credit budgets be adopted, when Congress agrees to regular budget resolutions. The Mineta Bethune bill has made a major contribution to the debate on credit budgeting -- and credit activity comprises the vast majority of all off-budget expenditures. It is endorsed by the Federal Reserve Board, and by a whole list of others who are knowledgeable and concerned about the problems of growth and controllability in this area.

The one significant shortcoming of the Mineta Bethune Bill is that it does not deal with the question of how credit activity should be reduced, if it must be reduced to stay within limits adopted.

Many credit programs act like entitlements, i.e., the underlying legislation creating these programs specifies loan levels and interest rates for which defined classes of borrowers qualify. Absent some mechanism to force revision of these provisions, credit limits below the amounts necessary to fully fund loans for all eligible applicants who apply would imply that those who applied early in the year would get all the law allowed -- while those who applied later might get nothing -- and none of these decisions would have anything to do with whatever priorities Congress might place on the competing needs of people who applied at different times during the year.

It seems that what is needed to control credit activity, in addition to an enforceable credit budget, is a mechanism to allocate available credit by function, program or category -- and a coherent mechanism for rationing credit, if what is available is less than what would be necessary to fund all the credit programs on the books.

Budget Enforcement Below the Aggregates

A major shortcoming of our existing budget process -- and one which is not addressed by the Jones Foley draft proposal -- is that the budget is really only enforceable when it has been "busted".

Section 311 of the Budget Act created a point of order against any bill or resolution which would cause the budget authority and/or outlay ceilings in a second (or subsequent) budget resolution to be exceeded, or which would cause revenues to fall below the floor in such a resolution.

By and large that point of order has prevented consideration of such legislation -- but only at the point when all the spending (or tax cuts) which can be accommodated within the totals in the resolution have already been enacted.

The Jones Foley proposal would make it harder to waive the spending ceiling or the revenue floor. It would require super majority votes to do so.

But nothing in Jones Foley would prevent enactment of a new entitlement, of a direct spending bill, or of an appropriation, in June, July or August -- when there is still plenty of "room" within the budget ceiling:

-- even if the new spending were included in neither the President's Budget, nor the recommendations of the committee of jurisdiction, at the time the budget was enacted; and

- even if the bill in question would commit billions of dollars for a purpose or program never contemplated when the budget was adopted; and
- even if the effect of enacting such a bill would be to deny necessary funds for high priority purposes explicitly recognized and included when the budget was adopted.

For example, someone could propose in July -- never having suggested such action earlier in the year -- an entitlement program for expense accounts for former Members of Congress, make the argument that their contribution to passage of the tax bill this year was essential to the enactment of responsible fiscal policy, but that it was so costly to the former Members as to preclude their continuing contribution to good government unless the public helped by picking up the tab for some of their out-of-pocket expenses. The committee with jurisdiction over benefits for former Members could look at the arguments, say that makes a lot of sense, and report the bill. Congress could pass it. CBO might estimate its cost at $1.5 billion over the next three years.

Once the bill was signed into law, CBO would have to include its cost in scorekeeping. The effect of doing so would be to reduce by $1.5 billion funds available for other purposes

-- purposes which might include pay for Federal employees, jobs for the elderly, a new submarine, or something else Congress specifically took into account in deciding the budget totals and the relative priority of functions and programs within the budget.

This system rewards speed. It encourages Members and committees that might want to push potentially costly bills to take them to the floor as early in the session as possible. It also encourages the tendency to take lower priority bills to the floor early in the Summer -- saving for consideration later in the year bills for very high priority purposes, for which they are virtually certain Congress will provide -- even if it means busting the budget.

What is needed is a system which allows Congress to measure the impact of all bills equally -- when they are considered. Delayed enrollment has been a major step forward toward this objective, with respect to appropriations bills. But even the delayed enrollment provisions included in budget resolutions over the last three years, pertained to bills only if they would cause a committee's or a sub-committee's allocation to be exceeded. And they did not preclude consideration, nor enactment, of such legislation. The bills can still be passed by both Houses, conferenced, and the conference agreements on them can be passed. After all that, they are held -- on the presumption that when Congress considers another budget resolution it will either make room for them, or order the Clerk of the House or the Secretary of the Senate to change them to conform to the budget.

Delayed enrollment has substantially reduced the propensity to consider such legislation. But everyone knows that, if a bill is once passed and the conference report agreed to, it is highly likely any subsequent budget will accommodate its cost -- rather than requiring changes in it.

If Congress is to live within the budgets it adopts, the basic tool to enforce the budget must be available for use before all the money we have has been spent.

There are really three alternatives for doing this. You could be much more specific about the amounts included in the budgets for particular programs and agencies. We think this would be most unwise. The budget process cannot take on the work of all other committees of Congress or it will fail of its own weight, and because of their resentment.

We could attempt to control the budget by function. But there are real drawbacks to this approach. The allocation of funds within a given function cuts across committee jurisdictions. And with the "netting" in the budget, total outlays for a function may be less than the total of all outlays for all programs within the function -- before offsetting receipts are taken into account in the programs to which they apply.

There remains the possibility of using 302 allocations for this purpose. Deferred enrollment has operated quite well based on these allocations.

There are good reasons for this. Bills originate in committees. All committees receive 302 allocations of the funds in the budget for programs over which they have spending jurisdiction. (The committees allocate the funds they have among their own subcommittees).

If you enforced the point of order, with respect to legislation which would cause a committee's or a subcommittee's 302 allocation to be exceeded, committees would have to either stay within their allocations (for the total of all programs within their jurisdication), get another committee to give up something to make room for high priority legislation, or under the Jones Foley proposal they would have to muster a three-fifths vote to waive the point of order against any bill which would cause total spending within their committee's jurisdiction to exceed the amounts in the budget for their programs.

This could substantially improve the prospect of Congress staying within the budget once adopted. It would allow enforcement of the budget, before we run out of money, but without requiring the Budget Committees to get into great detail about programs. Finally , it would help ensure that each committee has available to it all the funds in the budget for programs in its spending jurisdiction -- that no one else would get to the floor first with a bill the passage of which has the effect of foreclosing consideration of legislation contemplated in the budget.

Reconciliation

Our Committee supports reconciliation as a necessary part of the budget process. We know there have been complaints about the way reconciliation was used in the 1981 budget cycle. Some of those complaints were well-founded. Reconciliation should not be used to enact, nor change, non-budget related provisions of law. On the other hand, a meaningful budget process requires a mechanism for reconciling the total of individual spending and tax decisions with Congressionally determined aggregate fiscal policy.

For the last three years, almost everyone has agreed we need to cut federal spending. There are differences of opinion as to what should be cut, and as to the depth of the cuts, but almost everyone agreed we had to do something. We could not have cut as we did (and particularly we could not have cut entitlements such as federal retirement, medicaid, and student loans -- much less have raised taxes as we did this year) without an action forcing mechanism.

And reconcilation is an action forcing mechanism. It allows Congress -- not the Budget Committees and not the Administration -- to decide what it wants done. The reconciliation instructions are included in a budget resolution that requires agreement of both Houses. But once Congress agrees on a resolution including reconciliation instructions, it tells committees to report legislation to increase or decrease spending and/ or taxes by specified amounts, and to report that legislation within a specified time. Congress can, of course, dispose of the reported legislation as it chooses. Nothing compels the House, the Senate, nor the conference to accept the recommendations of any committee.

Reconciliation establishes a set of rules, including time limits and special procedures for debate, to expedite consideration of legislation to accomplish very specific objectives -- once Congress determines those objectives are so compelling as to require the use of this extraordinary procedure.

We are still learning to use the reconciliation process. We may want to consider refinements to help ensure reconciliation legislation is confined to budgetary matters, rather than broad legislation and/or authorizations unrelated to the reconcilation instructions.

The 1981 reconciliation bill, for instance, provided authority for the Student Loan Marketing Association (SALLIE MAE) to issue tax exempt bonds. No federal, nor quasi-federal agency had such authority prior to the reconciliation bill. There were no hearings on the issue. No consideration was given to the possible influence on other similar agencies and their practices. Indeed, many who would have been interested did not know that provision was included in the bill. The reconciliation bill in 1981 substantially changed Federal communications law, and included several other non-budget related provisions.

But this year's budget legislation seems to have avoided the pitfalls in 1981. It may be that having experienced this particular problem provided its own remedy. There is little consensus as to how one would draft an amendment to the Budget Act to preclude non-budget related matter from reconciliation legislation. That being the case, and given this year's experience, you may want to leave well enough alone.

Biennial Budgeting

There are three Senate bills, and several House measures which would change the budget cycle from one year to two. Rather than commenting on specific pieces of legislation, let us address the concept of biennial budgeting.

For the record I (Senator Bellmon) co-sponsored biennial budgeting legislation with Senator Baker, before I retired. I have long been convinced we could improve the effectiveness of Congressmen and Senators, if we could only reduce their work load by devoting one year of each Congress to authorizations and oversight and the other to budget matters.

Having thought about it for a while, however, it seems clear that biennial budgeting will only work if we also go to biennial appropriations.

There will always be supplemental appropriations. But the regular appropriations cycle must coincide with the budget cycle.

Also, a logical two-year budget process would have the first session of each Congress devoted to money matters; and the second session set aside for authorizations and oversight.

The reasons for this are two:

Each new Congress and each new President will want to mold their own budgets. Congress will not want to live with budgets adopted by their predecessors; and Presidents won't want to wait two years to put their programs in place.

And we have found through experience, the only way we can hope to live within a budget is to first decide how much we are going to tax and spend -- then pass the necessary legislation to stay within those bounds. This logical progression would be maintained, if the first session of each Congress were devoted to budget matters and the second to non-budget related legislative matters.

Symposia on Proposed Changes in the Budget Act and Process

We have held two symposia on the subject of how we can improve the budget process. A compendium and proceedings from the first of those meetings is now available. Each Member's office should have received a copy. We have additional copies available, if any of you need them. We hope they will be useful to you in your deliberations.

Chatham Press will publish a book based on the second symposium. It should be available early next year. And we will send each Member a copy. Sometime this Fall there will be available a summary of that conference. And you will get copies of that also.

To those of you who participated in those meetings, we thank you.

To those of you who have not yet attended one, we welcome your participation in meetings we will host in the future.

We sincerely hope that these meetings and materials (and the Congressional breakfasts we hold from time to time) help provide support for -- and help to strengthen the budget process. That is why we exist.

Please let us know if there is any other way in which we may be helpful to you as you undertake this very important review of the Budget Act and process. We want to help in any way we can. Thank you.

NEEDED CHANGES IN THE CONGRESSIONAL BUDGET ACT
STATEMENT BY SENATOR HENRY BELLMON
DECEMBER 5, 1980

Mr. President, I want to share with the Senate some thoughts on needed improvements in the Congressional Budget Act of 1974.

I first want to thank my good friend and colleague, Senator Percy, for pushing me to pull together these thoughts. Senator Percy was one of the original architects of the Budget Act, and through his service on the Governmental Affairs Committee has continued to keep a close eye on the evolution of the budget process. Here on the Senate Floor, Senator Percy has been one of the strongest supporters of the budget process as the Senate has dealt with many tough issues that the process has forced to the forefront.

I also want to thank the Senators and former Senators with whom I have served on the Budget Committee over the past six years. I am proud that we have been able to develop the budget process to the point where it is highly unlikely Congress will ever scrap the process and return to the old, pre-1975 fragmented ways of dealing with economic and fiscal policy.

I owe special thanks to those who have chaired the Committee -- Senators Muskie and Hollings. They have been bipartisan in their approach and they have been wise in dealing with the thousands of individual decisions that have been faced by the Budget Committee since its inception.

The fact that my good friend Senator Domenici will chair the Budget Committee beginning in January gives me assurance

THAT THE PROCESS WILL CONTINUE TO DEVELOP AS A KEY PART OF CONGRESSIONAL DECISION-MAKING. SENATOR DOMENICI BRINGS TO THE CHAIRMANSHIP OF THE COMMITTEE AN EXCEPTIONALLY KEEN MIND AND FIVE YEARS OF EXPERIENCE ON THE COMMITTEE. HE PROBABLY DOESN'T NEED MY ADVICE ON WAYS TO IMPROVE THE BUDGET ACT OR THE BUDGET PROCESS, BUT I NEVERTHELESS GIVE IT TO HIM, SENATOR PERCY, SENATOR HOLLINGS AND THE REST OF MY COLLEAGUES FOR SUCH USE AS THEY MAY SEE FIT.

WHILE I FEEL THE BUDGET ACT HAS STOOD THE TEST OF EXPERIENCE REASONABLY WELL, I DO BELIEVE THAT IT IS TIME CONGRESS EVALUATED THAT EXPERIENCE AGAINST TODAY'S REALITIES AND IMPROVED THE ACT WHEREVER NEEDED.

THE RECENTLY-COMPLETED HOUSE-SENATE CONFERENCE ON THE SECOND BUDGET RESOLUTION FOR FY 1981 AGREED THAT THE BUDGET ACT SHOULD BE THOROUGHLY REVIEWED IN THE NEXT CONGRESS. THE SECOND BUDGET RESOLUTION CONTAINS THE FOLLOWING PROVISION:

> "THE CONGRESS RECOGNIZES THAT (OTHER THAN FOR CERTAIN MINOR CHANGES ADOPTED AT THE START OF THE NINETY-SIXTH CONGRESS AS REVISIONS TO THE RULES OF THE HOUSE) THERE HAVE BEEN NO CHANGES TO THE BUDGET ACT OF 1974. IT IS THE SENSE OF THE CONGRESS THAT AFTER SIX YEARS OF EXPERIENCE UNDER THE BUDGET ACT, THE TIME IS RIGHT FOR CONSIDERING REVISIONS AND MODIFICATIONS TO THE BUDGET ACT SO AS TO IMPROVE THE CONGRESSIONAL BUDGET PROCESS. ACCORDINGLY, THE CONGRESS BELIEVES THAT A REVIEW OF THE BUDGET ACT AND THE CONGRESSIONAL BUDGET PROCESS SHOULD BE UNDERTAKEN WITHOUT DELAY."

SENATOR DOMENICI, THE INCOMING CHAIRMAN OF THE BUDGET COMMITTEE, HAS INDICATED THAT HE PLANS TO SCHEDULE HEARINGS BY THE BUDGET COMMITTEE WITHIN THE NEXT FEW MONTHS ON POSSIBLE AMENDMENTS TO THE BUDGET ACT. I AM SURE IT WILL BE ADVANTAGEOUS FOR THE BUDGET AND GOVERNMENTAL AFFAIRS COMMITTEES TO WORK TOGETHER IN SEEKING WAYS TO IMPROVE THE BUDGET PROCESS. ALSO, A TASK FORCE OF THE HOUSE BUDGET COMMITTEE, CHAIRED BY

Representative Mineta, held hearings several months ago on possible Budget Act revisions. I understand Mr. Mineta plans to introduce a bill to revise the Budget Act early in the next session.

The following are the key areas in which I see the need for changes in the Budget Act:

1. Credit Budgeting. It is very important that Congressional Budget Resolutions begin to include effective controls over the amount of Federal loans and loan guarantees which can be committed in each Fiscal Year. The First and Second Budget Resolutions for FY 81 include some modest steps in this regard. A Task Force established by the Senate Budget Committee has held hearings on this subject and will undoubtedly have some recommendations for the Full Committee next year.

   Senator Percy's Bill (S. 2151) is the most thoughtful credit budgeting proposal that has been developed so far. My own view however, is that there is need to go further than his bill goes in sorting out the whole credit picture. I believe, for example, that we should separate conceptually the treatment of direct loan activity from other types of Budget Authority. I think we are mixing apples and oranges now in a rather confusing way. Expenditures which become balance sheet assets are surely not the same as expenditures which remain liabilities of the Federal Government.

   I would change the present classification of those

DIRECT LOAN PROGRAMS WHICH ARE ON-BUDGET (GROSS LENDING IS SCORED AS BUDGET AUTHORITY AND THE EXCESS OF LOANS OVER RECEIPTS IS SCORED AS OUTLAYS) AND INTEGRATE THEM WITH THE LOAN AND LOAN GUARANTEE PROGRAMS WHICH ARE NOW OFF-BUDGET. I BELIEVE ALL THIS CREDIT ACTIVITY SHOULD BE CONTROLLED THROUGH NEW BUDGET CATEGORIES FOR LOANS AND LOAN GUARANTEES. BOTH OF THESE CATEGORIES SHOULD BE SUBDIVIDED ACCORDING TO THE BUDGET FUNCTIONS TO WHICH THE VARIOUS PROGRAMS RELATE. THE ENFORCEMENT MECHANISMS TO ACCOMPANY THESE CATEGORIES MAY NEED TO BE SOMEWHAT DIFFERENT FROM THOSE FOR THE REST OF THE BUDGET.

ON THE OTHER HAND, I BELIEVE IMPLICIT INTEREST SUBSIDIES, DEFAULT PAYMENTS AND ADMINISTRATIVE COSTS OF LOAN PROGRAMS SHOULD BE INCLUDED IN BUDGET AUTHORITY AND OUTLAYS. ALSO, THE ACT SHOULD INCLUDE CRITERIA FOR DETERMINING WHEN LOANS ARE IN DEFAULT, SINCE THERE ARE WIDE VARIATIONS ON DEFAULT DETERMINATIONS AMONG FEDERAL PROGRAMS.

CONSIDERATION ALSO SHOULD BE GIVEN TO PRECLUDING UNDERSTATEMENT OF FEDERAL CREDIT ACTIVITY THROUGH DEVICES SUCH AS THE FEDERAL FINANCING BANK MOVING ON-BUDGET LOANS OFF-BUDGET.

2. TREATMENT OF TRUST FUNDS AND REVOLVING FUNDS. WE NOW TREAT PAYROLL TAX COLLECTIONS FOR SOCIAL SECURITY AND UNEMPLOYMENT INSURANCE AS REVENUES AND SCORE THEM AS BUDGET AUTHORITY. THOSE TREATMENTS ARE TROUBLESOME. FOR INSTANCE, WHEN WE REDUCE OUTLAYS IN A TRUST FUND PROGRAM, WE ACTUALLY INCREASE BUDGET AUTHORITY BECAUSE THE TRUST

FUND HAS MORE RESERVES WHICH EARN MORE INTEREST. THUS, OUR PRESENT CONCEPTS MIX "DESIRABLE" BUDGET AUTHORITY (I.E., INCREASED RECEIPTS BY TRUST FUNDS) WITH "UNDESIRABLE" BUDGET AUTHORITY WHICH CONNOTES SPENDING INCREASES IN MOST PROGRAMS.

I PROPOSE THAT A NEW CATEGORY CALLED "TRUST FUND RECEIPTS" BE ESTABLISHED AND THAT THE COLLECTION OF THESE EARMARKED TAXES BE TREATED MUCH LIKE OTHER OFF-SETTING RECEIPTS. THIS CHANGE WOULD GO A LONG WAY TOWARD PUTTING BUDGET AUTHORITY ON A CONSISTENT CONCEPTUAL BASIS.

THERE ARE ALSO LARGE REVOLVING FUNDS WHICH PROBABLY SHOULD BE TREATED IN A SIMILAR MANNER TO WHAT I AM SUGGESTING FOR TRUST FUNDS. CURRENT "NETTING" PROCEDURES DISGUISE THE MAGNITUDE OF THE FEDERAL ACTIVITY AND CAUSE IT TO BE LARGELY IGNORED IN FEDERAL ECONOMIC AND FISCAL POLICY-MAKING.

3. OFF-BUDGET SPENDING. I SUGGEST THAT BUDGET CONCEPTS BE ALTERED SO THAT BUDGET DEFICIT AND "ADDITIONS TO THE PUBLIC DEBT" ARE IDENTICAL EACH YEAR. THIS WOULD REDUCE CONFUSION -- AT LEAST ON THE HILL! IT WOULD ALSO PUT THE REAL DEFICIT (OR SURPLUS) BEFORE THE PUBLIC. THE BIGGEST AND MOST CRUCIAL STEP WOULD BE TO BRING ALL OFF-BUDGET OUTLAYS ON-BUDGET. I THINK THERE WILL BE GENERAL SUPPORT NOW FOR DOING THIS, EVEN THOUGH IT WILL MAKE THE GOAL OF A BALANCED BUDGET EVEN HARDER TO REACH. THERE WILL ALSO NEED TO BE CHANGES IN THE TREATMENT OF TRUST FUND DEFICITS AND TREASURY BALANCES IN ORDER TO MAKE DEFICIT/SURPLUS FIGURES AND PUBLIC DEBT CHANGES IDENTICAL.

4. Reconciliation. Our experience of the past two years has shown that reconciliation tied to the Second Budget Resolution, as the Budget Act provides, simply comes too late in the Fiscal Year. In addition to the practical reality that Congress at least every other year will be under pressure to wind-up its business and get out of town by October 1, there simply is little appetite that late in the session for biting the bullet on a set of tough budget decisions. In addition, the beginning of the Fiscal Year on October 1 makes the late-September timeframe specified in the Act for reconciliation almost unworkable.

This year's experience with reconciliation attached to the First Budget Resolution seems to me the way to go. Section 301(b)(2) of the Act provides that the First Resolution may include "any other provision which is appropriate to carry out the purposes of this Act." This is probably a sufficient basis for establishing the practice of including reconciliation provisions routinely in First Resolutions, but revising the Budget Act to authorize specifically the inclusion of reconciliation requirements in First Budget Resolution would help establish the practice.

There is one other major lesson to be learned from this year's "first ever" use of the reconciliation procedure: Two House Committee's succeeded in forcing into the Reconciliation Bill a series of program exten-

SIONS AND EXPANSIONS WHICH INCREASED SPENDING. WHILE THIS YEAR'S RECONCILIATION BILL IS STILL A MAJOR ACHIEVEMENT, I BELIEVE IT IS ESSENTIAL TO AMEND THE BUDGET ACT TO PRECLUDE INCLUSION IN FUTURE RECONCILIATION BILLS OF PROVISIONS WHICH DO NOT PRODUCE NET SAVINGS (ESTIMATED BY CBO) OVER THE FIRST FIVE YEARS.

5. MULTI-YEAR BUDGET. AS YOU KNOW, THE SENATE HAS BEEN MOVING STEADILY TOWARD MULTI-YEAR BUDGETING. THE HOUSE HAS THIS YEAR MADE SIGNIFICANT STEPS TO COME ALONG. I BELIEVE WE WILL SHORTLY HAVE A BUDGET WHICH CONTAINS AGREED UPON TOTALS FOR AT LEAST THREE YEARS. THERE IS AT PRESENT, HOWEVER, NO ENFORCEMENT POWER BEHIND THE BUDGET TARGETS FOR OUT YEARS. IT IS NOT A SIMPLE MATTER TO BUILD AN ENFORCEMENT PROCEDURE FOR MULTIPLE YEARS, SINCE IT IS UNLIKELY THAT LEGISLATIVE OR APPROPRIATION ACTIONS TAKEN IN A GIVEN TIMEFRAME WILL CREATE ENOUGH SPENDING IN OUT YEARS TO CAUSE EITHER THE BUDGET AGGREGATES OR EVEN THE FUNCTIONAL TOTALS TO BE EXCEEDED.

MY VIEW IS THAT WE SHOULD CHANGE THE ACT SO AS TO MAKE THE BUDGET COMMITTEE SERVE AS A GATEKEEPER ON BILLS WHICH TAKE EFFECT IN FUTURE YEARS OR WHICH HAVE THEIR MAJOR SPENDING IMPACT IN THE OUT YEARS. FOR EXAMPLE, THE ACT COULD BE AMENDED TO PROVIDE THAT ANY BILL WHICH CREATES (OR AUTHORIZES) NEW SPENDING BEGINNING IN FUTURE YEARS, OR WHICH CREATES (OR AUTHORIZES)

FUTURE YEAR SPENDING MORE THAN A SPECIFIED PERCENTAGE (PERHAPS TEN) OVER SPENDING FOR THE BUDGET YEAR, WILL REQUIRE A WAIVER BEFORE BEING IN ORDER. THIS WOULD ENABLE THE BUDGET COMMITTEES TO USE THE OUT-YEAR ASSUMPTIONS UNDERLYING THE BUDGET RESOLUTION TO CHALLENGE PARTICULARLY BLATANT "BALLOONING" OF SPENDING AFTER THE BUDGET YEAR. WHILE THE BUDGET COMMITTEE'S OPPOSITION TO A WAIVER WOULD BE SUBJECT TO OVERRIDE ON THE SENATE FLOOR, THIS TYPE OF PROVISION WOULD CERTAINLY HAVE AN INHIBITING EFFECT ON THE REPORTING OF LEGISLATION WITH SUBSTANTIAL OUT YEAR SPENDING EFFECTS.

6. EFFECTIVE DATES OF REVENUE CHANGES. THE BUDGET ACT CLEARLY NEEDS TO BE TIGHTENED TO REDUCE THE OPPORTUNITIES FOR CIRCUMVENTING THE REVENUE FLOOR BY SHIFTING FORWARD THE EFFECTIVE DATES OF TAX REDUCTION LEGISLATION. ONE DEVICE THAT HAS BEEN USED IS TO MAKE A TAX CHANGE EFFECTIVE VERY LATE IN A FISCAL YEAR SO THAT IT HAS MINIMAL EFFECT IN THE YEAR FOR WHICH A BUDGET RESOLUTION EXISTS, BUT A MUCH LARGER EFFECT IN FUTURE YEARS. ANOTHER LOOPHOLE IS CREATED BY SECTION 303(B) WHICH PERMITS CONSIDERATION OF REVENUE LEGISLATION WHICH FIRST TAKES EFFECT IN A FISCAL YEAR MORE THAN ONE YEAR BEYOND THE FISCAL YEAR FOR WHICH A BUDGET RESOLUTION EXISTS.

IRONICALLY, THE MULTI-YEAR ENFORCEMENT PROBLEM IS ACTUALLY EASIER TO SOLVE FOR REVENUES THAN IT IS FOR SPENDING. ALL IT WILL TAKE FOR REVENUES IS AN AMENDMENT TO THE ACT PLACING THE OUT YEAR REVENUE NUMBERS ON THE SAME LEGAL BASIS AS THE ONE-YEAR NUMBERS CURRENTLY ARE. AS I HAVE ALREADY DISCUSSED, THE ENFORCEMENT PROBLEM ON OUT-YEAR SPENDING IS CONSIDERABLY MORE COMPLICATED.

7. Points Of Order Against Bills Exceeding Crosswalk Totals. The present enforcement tools, even on a one year basis, are very limited. No point of order can be raised unless spending under a bill would exceed the aggregate totals in the budget. A Point of Order certainly should lie against bills which will cause spending to exceed Committee allocations under Second Budget Resolutions. I personally believe the point of order should also be available to help enforce the targets of the First Budget Resolution as well.

The First Budget Resolution for FY 1981 included a temporary provision for delayed enrollment of bills which exceed Committee allocations. I believe that a somewhat stronger provision should be included in the Budget Act itself.

In the case of the Appropriations Committee, I would favor making the point of order lie against individual subcommittee allocations. Otherwise, the Senate can be faced with situations in which the last bill out of Appropriations runs the totals appropriated considerably over the budget, but the feasibility of making the Committee live within its total simply doesn't exist because the last bill concerns defense or other essential spending.

8. Entitlement Program Exemptions. I propose that, so far as possible, we get rid of special provisions on entitlement programs so that there is more adequate budgetary

CONTROL OVER THESE. FOR EXAMPLE, THERE IS NO REQUIREMENT UNDER SECTION 402(A) THAT ENTITLEMENT BILLS BE REPORTED BY MAY 15. I DON'T SEE WHY CONGRESS SHOULD NOT DISCIPLINE THE TIMETABLE ON ENTITLEMENT PROGRAMS SO THAT IT CAN SEE EARLY IN THE YEAR THE POTENTIAL SPENDING INCREASES FOR BOTH ENTITLEMENTS AND APPROPRIATED PROGRAMS. INDEED, SOCIAL SECURITY BILLS ARE TOTALLY EXEMPT FROM THE MAY 15 REPORTING DATE, EVEN IF THEY DEAL WITH NON-ENTITLEMENT PROGRAMS, SO LONG AS THEY CONTAIN SOME ENTITLEMENT FEATURES. (SECTION 402(E)(2)).

SECTION 401(D)(1)(A) EXEMPTS SOCIAL SECURITY BILLS FROM THE REQUIREMENT THAT BILLS WHICH WOULD EXCEED COMMITTEE ALLOCATIONS BE REFERRED TO THE APPROPRIATIONS COMMITTEE. I SEE NO REASON FOR THAT EXEMPTION. ON THE CONTRARY, IT SEEMS TO ME TO HOLD POTENTIAL FOR CONSIDERABLE MISCHIEF.

FINALLY, SECTION 401(A) LEAVES A WIDE-OPEN PATH FOR ENTITLEMENTS TO BE TIMED SO AS TO TOTALLY EVADE CONTROL BY THE BUDGET PROCESS. FOR EXAMPLE, THERE IS NO IMPEDIMENT UNDER SECTION 401 TO ENACTMENT BETWEEN JANUARY 1 AND MAY 15 OF A CALENDAR YEAR OF ENTITLEMENT LEGISLATION HAVING AN EFFECTIVE DATE OF OCTOBER 1 OF THE SAME YEAR -- EVEN THOUGH NO BUDGET RESOLUTION IS YET IN PLACE. LIKEWISE, THERE IS NO IMPEDIMENT AT ANY TIME TO ENACTMENT OF ENTITLEMENT LEGISLATION CREATING SPENDING IN FUTURE YEARS. CLEARLY, CONGRESS NEEDS TO STRENGTHEN ITS INSTITUTIONAL CAPACITY TO RESIST INCREASES IN ENTITLEMENT SPENDING.

9. Conference Reports on Budget Resolution. Both the Senate and House Parliamentarians have ruled that Conference Agreements on Budget Resolutions which contain any numbers that are "outside the range" of the position of the two Houses going into Conference must be reported in technical disagreement. This makes the Conference Reports subject to amendment on the Floor of the Senate. The Act should be amended to provide that only the budget aggregates (revenues, Budget Authority, Outlays, deficit) and not the numbers for each function, must be within the range of differences between the Houses in order for there to be a full Conference Agreement. This change will reduce the potential for delays and brinksmanship between the two Houses over conflicting priorities.

10. CBO Cost Estimates for Conference Reports on Spending Bills. Experience has shown that we need to amend Section 403 to require that updated CBO cost estimates be included in Conference Reports on spending bills. As we all know, bills are frequently rewritten extensively in conference. The Congress is still acting on Conference Reports without carefully-developed cost estimates on the final bills. This should be remedied as quickly as possible.

11. Evasion of May 15 Reporting Deadlines. There is a serious loophole in the May 15 deadline for reporting authorization bills. Committees are increasingly adopting the practice of filing incomplete bills, and even dummy bills, to

SATISFY THE FORMAL REQUIREMENT. THEY THEN RELY ON COMMITTEE FLOOR AMENDMENTS, OFTEN ACCEPTED WITHOUT REAL DEBATE, TO CLEAN UP THE BILLS. THIS PRACTICE SHOULD BE STOPPED BEFORE IT SPREADS. ONE WAY TO DO IT WOULD BE TO PROVIDE A POINT OF ORDER AGAINST COMMITTEE AMENDMENTS. ANOTHER POSSIBILITY WOULD BE TO REQUIRE AMENDMENTS TO BE OFFERED BY THE COMMITTEE, OR BY SENATORS SIGNING THE REPORTS, TO BE PRINTED AND SUMMARIZED IN THE RECORD AT LEAST THREE DAYS BEFORE THE BILL IS CONSIDERED.

12. TWO-YEAR BUDGETS, AUTHORIZATIONS AND APPROPRIATIONS. FOR THE LONGER RUN, I THINK WE MUST START WORKING TO GET THE CONGRESS ON A TWO-YEAR FISCAL PERIOD. THERE IS SIMPLY TOO MUCH TIME PRESSURE ASSOCIATED WITH THE ONE YEAR FISCAL PERIOD FOR EFFECTIVE OVERSIGHT TO BE DONE AND OTHER ASPECTS OF CONGRESSIONAL DECISION MAKING TO BE CARRIED OUT EFFICIENTLY. I AM PLEASED THAT SENATOR BAKER, OUR INCOMING MAJORITY LEADER, HAS EXPRESSED SERIOUS INTEREST IN THIS FUNDAMENTAL CHANGE. SENATOR BUMPERS AND OTHER HAVE ALSO RECOMMENDED THAT THE CONGRESS "UN JAM" ITS CALENDAR AND INCREASE TIME FOR PROGRAM OVERSIGHT BY MOVING TO A BIENNIAL CYCLE FOR MOST MONEY DECISIONS.

13. CONFORMANCE OF BUDGET AND APPROPRIATIONS SUBDIVISIONS OF THE BUDGET. I HAVE BEEN AN ADVOCATE OF THE ADOPTION FOR APPROPRIATION PURPOSES OF THE FUNCTIONAL DIVISIONS USED IN THE EXECUTIVE BRANCH AND CONGRESSIONAL BUDGETS. IT IS CLEAR THAT A GREAT DEAL OF CONFUSION EXISTS BECAUSE

OF THE USE IN THE APPROPRIATION PROCESS OF THE TRADITIONAL 13 BILLS ORGANIZED BY DEPARTMENTS AND AGENCIES, WHILE THE BUDGET PROCESS USES A "FUNCTIONS AND MISSIONS" APPROACH.

I HAVE HAD SOME SECOND THOUGHTS ON THIS RECENTLY, HOWEVER, AND AM NO LONGER CERTAIN THAT IT WOULD BE WISE TO PUT THE TWO PROCESSES ON THE SAME INFORMATION BASE. IF THE ALLOCATIONS/CROSSWALKING PROCESS CAN BE STRENGTHENED AND BECOME BETTER UNDERSTOOD, AND IF POINTS-OF-ORDER CAN BE MADE AVAILABLE TO HELP ENFORCE THE ALLOCATIONS, THIS MIGHT BE A BETTER COURSE THAN THE ONE I EARLIER ADVOCATED.

I ASK UNANIMOUS CONSENT THAT A STAFF MEMORANDUM DISCUSSING THE ADVANTAGES OF THE PRESENT APPROACH BE PRINTED IN THE RECORD AT THE CONCLUSION OF MY STATEMENT.

14. RESCISSIONS AND DEFERRALS. A CAREFUL REVIEW SHOULD BE MADE OF EXPERIENCE TO DATE UNDER TITLE X, THE IMPOUNDMENT CONTROL PROVISIONS. ONE PROBLEM THAT NEEDS ATTENTION IS THE PRESENT "ALL OR NOTHING" SITUATION ON DEFERRALS. I BELIEVE IT IS ESSENTIAL TO PROVIDE A SIMPLE PROCEDURE UNDER WHICH CONGRESS CAN APPROVE PART OF A DEFERRAL PROPOSED BY THE PRESIDENT WHEN IT DECIDES NOT TO GO ALONG WITH AN ENTIRE PROPOSED DEFERRAL.

15. TECHNICAL CHANGES. THERE ARE A COUPLE OF ASPECTS OF THE TIMETABLE SET FORTH IN THE BUDGET ACT THAT SIMPLY HAVE PROVEN UNWORKABLE. ONE OF THESE IS THE DATE FOR THE SUBMISSION OF THE PRESIDENT'S CURRENT SERVICES ESTIMATES. BY AGREEMENT WITH THE BUDGET COMMITTEES, OMB BEGAN ABOUT THREE YEARS AGO TO SUBMIT THESE ESTIMATES IN

January as part of the President's budget submission. This was essential because the President's economic forecast is not available in November when the Budget Act says the current services estimates are to be submitted. Therefore, the problem quickly arose of the current services estimates being submitted on a different economic base than was used in preparing the budget proposals submitted in January. The switch in timing of the current services estimates has caused no problems and should be included in the Budget Act.

Likewise, the CBO annual reports and economic forecasts are now submitted to the Budget Committees in January or February rather than in April as projected in the Budget Act. The Budget Committees simply must have this material earlier than the Budget Act provides in order for it to be used in preparations for markup of the First Budget Resolution.

Mr. President, I thank you and my other colleagues for your time. I hope these comments will be useful to those who conduct the examination of the Budget Act to which Congress is now committed.

I ask unanimous consent that a staff memorandum explaining the enforcement provisions now in the Budget Act be printed in the Record following the other memorandum to which I referred earlier.

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PROPOSED IMPROVEMENTS IN THE CONGRESSIONAL BUDGET ACT OF 1974

THURSDAY, SEPTEMBER 16, 1982

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The committee met, pursuant to notice, in room 6202, Dirksen Senate Office Building, at 9:40 a.m., Senator Slade Gorton presiding.

Present: Senators Domenici, Gorton, and Chiles.

Staff present: Robert Fulton, chief counsel; Nell Payne, staff attorney; and Lizabeth Tankersley, minority staff director.

Senator GORTON. I believe we will get started. Senator Domenici will not be able to be here until about 10.

We are starting out with Mr. Gross and Mr. McEvoy. Mr. Gross, we are delighted to have you with us.

Mr. GROSS. Senator, John and I are so used to working together that we have agreed he should go first.

Senator GORTON. I will overrule myself.

STATEMENT OF JOHN T. McEVOY, CHAIRMAN, DEPARTMENT OF FEDERAL POLICY, LAW FIRM OF KUTAK, ROCK & HUIE

Mr. MCEVOY. Mr. Chairman, I was staff director of the Budget Committee for the last 3 years in which the Democrats were in the majority in the Senate, and was counsel to the committee before that time. I had the rare privilege and distinction of being with the committee from the time of its formation in August 1974 until the time I left and had the ambiguous distinction of being the most senior staff member in the budget process. Everybody else, like George, had already gone out and got a good job.

I nearly titled these remarks, Mr. Chairman, "The Beast That Tamed the Federal Budget: How Mickey Mouse Turned Out To Be King Kong;" because I find that discussing possible improvements in the Budget Act is a little like talking about how to improve on the performance of a 10,000-pound gorilla. It may be clumsy and sometimes get in the way, but it is hard to say why you should try to improve on what it can do.

BUDGET PROCESS HAS WORKED VERY WELL

During the past 2 years, you on this committee have shown that the congressional budget process can provide the mechanism for the biggest tax cut and deepest spending cuts in modern memory. The budget process also served as a vehicle for congressional leadership to secure enactment of a major tax increase in an election year over the initial strong objections of a very strong President.

Without the congressional budget process, in the budgetary chaos of the times which preceded it, these achievements would have been impossible.

The congressional budget process has thus defied the skeptics who once called it a fraud; defied the conventional political wisdom that tax increases, particularly in an election year are impossible; and defied the prophets of 1974 who predicted that the budget process would evaporate after a few years' experience, as did earlier budget reforms.

In short, Mr. Chairman, the congressional budget process has generally worked very well. Great caution should be exercised in considering amendments to it. In the bipartisan words of both former Budget Director Bert Lance and President Ronald Reagan, "If it ain't broke, don't fix it."

The second reason for caution is that not everyone who wants to amend the act really wants to improve upon the 10,000 pound gorilla. Some wouldn't mind killing it, others would hamstring it as best they could. Still others would reduce it to a household pet—nice to have around, but no threat to anyone.

INTENT OF BUDGET PROCESS ACHIEVED

The budget process was intended to change the way Congress does its business. It has achieved that result.

Both the appropriations and tax-writing committees now find themselves subject to congressionally imposed fiscal limits. They are also limited by cost accounting which could be conveniently ignored in past years.

The authorizing committees can no longer engage in new backdoor spending through contract authority and similar devices designed to avoid annual appropriations review.

Every committee, including this one, is subject to deadlines designed to get the Congress work done within a reasonable schedule. Some observers have suggested that the timetable alone was worth passage of the Budget Act.

In imposing these changes, the Budget Act has altered a lot of traditional power relationships and ways of doing things. It is normal human behavior to resist change which threatens a loss of power, particularly in politics. As the Budget Act has pushed against inbred practices and threatened power bases, those used to the old ways have frequently pushed back.

In the most notable case of resistance to the budget process, the Finance Committee achieved a majority Senate vote to overturn the ruling of the Chair that the Budget Act could limit future-year tax cuts. The great reluctance on the part of the Budget Committee in those days to seek changes in the Budget Act derived from a belief that the same Senate which would castrate the application of the Budget Act to unbudgeted tax cuts might dismember other parts of the act if forced to that choice by powerful members given the chance to do so.

AMENDING BUDGET ACT WOULD OPEN DOOR FOR CRITICS

Surely many members sincerely and constructively believe that this part of the Budget Act or that part could be usefully amended. But the chance for mischief in the amendment process is both real and documented.

A couple of years ago, the Senate Governmental Affairs Committee reported the "Fiscal Notes Bill," a simple and minor amendment to the Budget Act to require CBO to estimate the cost to State and local governments of new Federal legislation. That bill had been on the calendar only a few days when a powerful committee chairman notified the leadership of seven different amendments to the Budget Act he intended to offer as amendments to the Fiscal Note Bill. Because several of those amendments further eroded the application of the act to the tax side of the budget, several Budget Committee members objected to consideration of the bill under those circumstances, and the bill died on the calendar.

Other powerful members of Congress have in the past suggested significantly curtailing the Budget Committee's role in economic matters and reducing the effect of budget resolutions on the tax and appropriations process. I was in the room a couple of years ago when Congressman Bolling, chairman of the House Rules Committee, objected at a Budget Committee hearing that the Budget Act went too deeply into economic matters.

I am afraid the climate for reasonable discussion of Budget Act amendments has not improved recently. The debate on the budget resolution in the House this year was studded with threats by important Members of the House to reduce the importance and effectiveness the budget process has attained. Amending the Budget Act would open the door to all of these critics to act on their complaints.

Regrettably, Mr. Chairman, the Budget Committees have given these critics some ground for complaint. Last year's first budget resolution unprecedentedly and unnecessarily interfered with the relationship between the authorizing and appropriations committees, leaving a wake of resentment. That course was fortunately avoided in this year's resolution.

More seriously, this committee, the Senate, and the outcome in the House on last year's budget resolution gave credence to a fear many in Congress voiced about the budget process when it was first enacted: that it would become a kind of privy council to negotiate the enactment of the President's budget by the Congress, rather than an instrument of the Congress for formulating its own budget policy.

That concern was increased when the Budget Committees of both houses and even the CBO took liberties with objective economic forecasting last year to justify with wishful thinking the enactment of a program which contained foreseeable, unacceptable deficits.

The committee's efforts through the budget process this year to lead the President into a substantially larger tax program than he had porposed and your leadership on the recent supplemental override vote should go a long way to dispel the concern that Congress has been read out of the Congressional Budget Act. I am not sure what your position was on those two issues, Senator Gorton, but I had reference to Senator Domenici's efforts in my remarks.

Senator GORTON. I agree.

BUDGET PROCESS BENT BUT DID NOT BREAK

Mr. MCEVOY. I sincerely mean that. I think that this year this Committee and the Finance Committee and the Appropriations Committee, sitting together and deciding upon a policy and advising and convincing the President of the wisdom really reasserted the best elements of the congressional budget process.

Critics can point to procedural difficulties in the budget process. For example, authorizing committees frequently miss their May 15 reporting deadlines. This committee has missed its own deadlines from time to time.

Some of the shortfalls from the requirements of the act have been unavoidable. In 1979, Congress missed the deadline for adopting the second budget resolution because the conference committee could not close the gap between a Senate which wanted higher defense spending and a House committed to higher domestic spending instead.

But that violation, like most other technical violations of the Budget Act, was later healed without rupture of the Budget Act or the budget process. The budget process was bent, but did not break.

That kind of flexibility is a virtue, not a defect, in the Budget Act. If you could build a budget process in which the rules rather than the Members themselves actually controlled congressional actions, you would have a machine, not a human process. Sometimes you simply need longer to work things out than you need at other times.

What is true for Congressional Budget Act procedures also holds true for congressional budget process results. No amendment of the Budget Act can make the Congress select the "correct" budget totals or even live within the ones selected. Budget targets and the bills which breach them are determined by the votes of Members of Congress, not by the Budget Act. As has been said in the past, what the congressional budget process needs is not more teeth in the Budget Act, but more spine in the Congress.

In the case of the 1979 missed deadline and nearly every breach of a Budget Act requirement, the problem has not been the act, but the actors. The problem was one of political will—either a collision of political wills or the absence of enough political will to meet the requirements of the act. As Shakespeare said of another senate: "The problem is not in our stars, but in ourselves." No Budget Act rule can withstand a congressional choice to ignore it.

BUDGET ACT REQUIREMENTS IGNORED BY CONGRESS

The fact is that Congress, just this year, chose to ignore one of the clearest and most important requirements of the Budget Act: the second budget resolution. The heart of the Budget Act, in the view of former Chairman Muskie, was to require that Congress ratify its budget figures, especially the deficit estimates, before it went home to face the people. That vote has been neatly avoided by the elimination of the second budget resolution this year. The suspension of the fiscal year 1983 second budget resolution demonstrates that Congress can ignore any budget act requirement—no matter how toughly worded—whenever it chooses. Regrettably, it also demonstrates that when Congress chooses to ignore the act, it may do so in the worst way: simply by repealing or amending it.

When Congress decides to amend the Budget Act, it should do so only in the most deliberate fashion, by direct amendment to the Budget Act in the normal legislative course, after full hearings and consideration by this and the Governmental Affairs Committee of the Senate and, although it is not required by House rules by the Budget and Rules Committees of the House.

The precedent established in last spring's first budget resolution of amending the Budget Act to eliminate the second resolution will surely come back to haunt this committee and the process as others use it against you in the future. That potential precedent should be limited, obscured, and forgotten, at the earliest opportunity.

I do not mean by these comments to discourage thoughtful examination of a 2-year budget cycle or a biannual appropriations process. But the economic events of the past 10 years, including recessions of unpredicted severity and uncontrollable inflationary events such as international oil price shocks and weather-induced food price increases, clearly indicate that you cannot expect a budget resolution to remain viable for a 2-year period. Indeed, totals of the first resolution enacted last spring seem quite out of date by now.

Supplemental spending requirements are inevitable in our complicated and unpredictable world and grow more likely the longer we make the budget cycle. Even if you change the authorization and appropriations cycle, no compelling reason exists to change the budget resolution cycle or the rest of the Budget Act on that account.

BUDGET ACT WOUNDS CAN BE CURED WITHOUT AMENDMENT

In summary, Mr. Chairman, any patching up which the budget process needs results mainly from self-inflicted wounds: Carelessness with estimates; the appearance of surrender to a particular President's program; and impulsive amputation of an essential part of the Budget Act this year—the second budget resolution. All of these wounds can be cured without any amendment of the Budget Act, simply by deciding not to repeat them. No amendment of the Budget Act will prevent their repetition, if Congress chooses to shortcircuit the process again.

Your present review of the budget process will have served a very useful purpose if you determine that amendment is not in order now; that the risk of improvident amendment outweighs any gain; that the 10,000-pound gorilla is performing just about as well as could be expected of any beast designed to squeeze the mammoth Federal budget.

Senator GORTON. Thank you, Mr. McEvoy. I am going to have a few questions for you, but in order to make this a panel we will hear from Mr. Gross first.

STATEMENT OF GEORGE GROSS, DIRECTOR OF FEDERAL RELATIONS, NATIONAL LEAGUE OF CITIES

Mr. GROSS. Thank you, Senator. My name is George Gross. I am currently director of Federal relations for the National League of Cities. Like John, I served as the first general counsel of the House Budget Committee in October of 1974, and subsequently as its executive director from September 1975 through April 1978.

It is a pleasure to be here this morning to discuss possible improvements in the congressional budget process. I agree with John that, despite its shortcomings and the inevitable frustrations that accompany any budget process, the congressional process is working satisfactorily, rather better, in fact, than can be expected after the very difficult budget battles of the past 3 years.

I do not believe the act needs much change, and certainly not the sweeping changes that would be involved in a 2-year budget process, something much talked about these days. On that, Mr. Chairman, I have submitted to the committee some comments I recently made on a bill by Senators Quayle and Ford to move toward a 2-year budget process.[1]

I do not agree with John that we shouldn't amend the Budget Act or change it in any way. John's feeling, though, is a forceful one, expressed best by someone many years ago, as follows: "It is easier to bear what's amiss than to go about reforming it."

Change is needed. The process is now in my view beginning to dominate the congressional calendar without clear benefit to itself and with detriment to the rights and responsibilities of the authorizing and appropriating committees.

The budget process seems to me to be completely overloading Congress normal legislative procedures. The result is inconsistent with a principal objective of the act, to create a process that works in tandem with existing committees, relying on them to fashion the details of tax and spending policy in accordance with budget resolutions.

The change that is needed should not be wide ranging. In Thomas Jefferson's words, "the patch should be commensurate with the hole."

Three problems require prompt attention. First, it simply takes too long to adopt the first budget resolution, which increasingly dominates the legislative calendar and frustrates the work schedules of other committees.

Second, there is not enough time for committees to comply with reconciliation instructions. And third, some strong action is needed to help end the annual problem of continuing funding resolutions.

What should be done?

THE FIRST BUDGET RESOLUTION

First, the first budget resolution. The first budget resolution, including reconciliation directions which I think will be an annual feature of resolutions, should be adopted by April 1, rather than by May 15, or as is most often the case, a week or two later. This critical change would give the tax, appropriations and other committees of Congress 2 extra months to legislate, with early knowledge of the overall budget targets, time to develop a consensus for the actions needed to comply with the targets. For the budget committees, it would mean less time for polarization around relatively minor issues, such as the precise funding level for the urban development action grant program, for example, and an opportunity to promote a more focused discussion of broad fiscal policy and budget priorities, which all Members agree are their proper responsibilities.

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[1] See p. 696.

THE SECOND BUDGET RESOLUTION

The second budget resolution presents special problems. Until the past 2 years, it most often merely updated the economic and budget estimates made in the first resolution, without proposing substantive policy changes. The result was that Members were asked to vote for a piece of paper that merely ratified the past, without doing anything about it.

The practice during the past 2 years has produced a different problem: Since the first resolution figures are adopted if a second resolution is not, the result is to set a revenue floor and spending ceiling based on economic and program assumptions that all agree are no longer valid.

In my view, a new rule should be adopted: No second budget resolution should be acted on unless new substantive economic or budget policy is recommended by the Budget Committees by September 15; if such action is not proposed, the committees should be authorized to update the first resolution numbers and establish the needed spending ceiling and revenue floor by submitting those new numbers to their respective Houses. In addition, there should be a procedure allowing disapproval of the updated numbers by each House within 7 days to 10 days.

THE RECONCILIATION PROCESS

Second, the reconciliation process. Despite its abuse in 1981, it is now being used for a third time. In fact, it is the only enforcement tool developed so far to insure that the first budget resolution targets with respect to revenues and entitlement programs are achieved.

The problem is that committees have too little time to develop the necessary political consensus to achieve the budget savings targeted in the first resolution. If adoption of the first resolution—with reconciliation instructions is required by April 1, committees should have 2 to 3 months—until June 1 or July 1—to comply with the directions.

Chairman DOMENICI. Mr. Chairman, there is a great difference of opinion on the last point. Some think it is inversely proportionate, that the less time you have, the more chance you have to get it done. Excuse me.

Mr. GROSS. All right.

Senator GORTON. Both the chairman of this meeting and the chairman of the committee.

Chairman DOMENICI. And Senator Chiles is nodding.

Mr. GROSS. We will talk about that.

Reconciliation is in many respects the central feature of today's budget process. I still believe, despite that colloquy, that it makes sense to give committees adequate time to achieve the very difficult goals set broadly in the first budget resolution.

CONTINUING RESOLUTIONS

Third, continuing funding resolutions. Continuing resolutions were a problem before the Budget Act of 1974; unfortunately, under the pressures of the budget timetable, I think, the problem is getting worse. What is needed is a strong incentive for completing the bills before adoption of the ceiling-setting second resolution.

If an appropriations bill is not completed by that time, I suggest that the second budget resolution should assume an arbitrarily low spending level for that bill, such as the current year spending level or the President's recommended level, whichever is lower. If it is brought to the House floor or Senate floor later, it would have to confront the spending ceiling set in the second resolution and adjusted accordingly.

Senator **Chiles**. Again, won't that play right into the hands of one side of the players, who would like exactly that, and so they could do everything on their side to delay?

Senator **Gorton**. It is not a neutral suggestion, because you will have a large group of people who want exactly that to happen.

Mr. **Gross**. That is true, Senators, and it is something I have thought about. In fact, though, most appropriations bills do not get delayed because of a majority view that all of the numbers in the bill are too large. They get delayed because of dissatisfaction with several individual items, sometimes only one item. The majority want a bill.

Senator **Chiles**. I don't think the reason for the continuing resolutions right now is the Budget Act. The reason for them is the game that is going on between the White House and the House, which involves holding up the appropriations bill for defense. They feel that is their only lever, so they are going to hold on to that. Defense is their ace. They are not going to let that go. I don't think this fight today has anything to do with the Budget Act.

BILLS DELAYED FOR MANY REASONS

Mr. **Gross**. I disagree somewhat, Senator. There are a lot of reasons why bills get delayed. Sometimes it is due to a social issue rider. Sometimes it is due to unique circumstances: last year, for example, the House sent over, I believe, 11 appropriations bills to you by the end of July. The bills were delayed here because of the President's additional budget amendments, calling for a 12-percent across-the-board cut. That sent Senator Hatfield's committee back to the drawing boards to try to meet that recommendation in some fashion.

There are always some unique reasons. But what is happening now is that House action on appropriations bills is delayed inordinately. It is delayed into June, because the first budget resolution figures are not known until early June. That robs the House committee of 2 months in getting those bills moving.

It is true that, under the process, if the House enacts all appropriations bills by the end of June, which happened in fact in the early years of the process, the Senate does have adequate time. But we are now running into additional problems because of differences between the President and the Congress on budget priorities. The normal problems have been exacerbated.

The next President, I am sure, will present new problems with respect to the Congress, and so will the one after that. But the lack of time under the process makes the problem worse.

My recommendation that the first resolution be adopted earlier would help substantially. I think there is almost nothing that so demeans Congress in the public eye than the annual fight over continuing resolutions and shutting down the Government or some Government agencies.

Senator GORTON. I think all of us agree with you on that.

Mr. GROSS. Something more is needed. Perhaps extra time is enough. My hunch is that something more is needed.

BUDGET ESTIMATES

Just to finish up, one last suggestion. Recent budget battles have been marked by sharp differences between the House, the Senate, and the executive branch over the amount of spending contained in budget resolutions and continuing resolutions. When the battles end, I doubt that more than a handful of Members of Congress can accurately describe the dollar differences involved. The public understanding of the differences between the Congress and the President must be slim indeed.

To a certain extent, it is unlikely that the Congress and the President can ever fully agree on all budget numbers. The President, for example, will invariably consider his budget for the food stamp program assuming adoption of his proposed reforms; the appropriations committees, in turn, will consider the budget for food stamps assuming existing law, rather than the President's, or somebody else's, reform proposals. In addition, the two branches will often differ on the economic assumptions that so significantly affect revenue and spending levels.

Some steps need to be taken, however, to alleviate the problem of differing budget estimates. I suggest that the Budget Committee chairmen take the lead in this area by establishing a "users group" to reduce conflict over budget estimates.

This group should consist of representatives of the major institutions that utilize budget estimates—the House and Senate Budget and Appropriations Committees, the Congressional Budget Office, the Office of Management and Budget, and maybe even some representatives of the major committees of the Congress.

They should meet monthly with the task of reaching agreements on as many numbers as possible, thus removing those numbers from political confrontation. Where agreement cannot be reached, the group would be responsible for reporting that fact so that differences could be isolated and clearly explained to all. Over time, hopefully, substantial agreement could be reached and conflict reduced on the bulk of budget estimates.

I have also submitted to the committee, Mr. Chairman, a long paper that I have written on some of these recommendations, for the record.[1]

CHANGES WOULD IMPROVE PROCESS

If adopted, I think these changes would substantially improve what is increasingly a time-consuming and frustrating process that is altogether too heavily dominated by the Budget Committees and the budget process. The budget committees would retain their key role, setting overall fiscal and budget priorities, but the Congress other committees would have adequate time to pass necessary reconciliation and appropriations legislation in a timely and responsible manner.

Of course, even an improved process cannot insure the substantive results that many desire. Neither, however, can the balanced budget amendment, nor a return to the pre-1974 days of Presidential dominance over the budget. The budget process remains Congress and the public's best bet for responsible Federal budgeting.

Thank you.

Senator GORTON. Thank you both very much.

Mr. McEvoy, you are going to get the finest flattery I can give you. Your presentation, at least some of your analogies and descriptions on pages 2 and 3 are likely to be heard by a substantial number of people in the State of Washington after I go home.

Mr. McEvoy. That is high flattery, Senator.

CAUTIONS ABOUT AMENDING THE BUDGET ACT

Senator GORTON. I was most impressed by them. I do have a couple of questions, however. It seems to me that you have two cautions about amendments to the Budget Act. The first is the fact that we might very well end up with a much worse budget act rather than a better one because of the strength of opponents to the whole process, and the second, is that even if that objection were removed, the Budget Act itself in its present structure is pretty close to satisfactory. I want to, if I can, bear in on one of your points.

I think I can say that you are almost the only person who has come before us in the course of the last 6 months or a year who believes very firmly and very strongly in the second budget resolution as it is envisaged in the act itself. You are critical of the fact that we effectively repealed that part of the act this year by the proposition that, as of yesterday, the first budget resolution become the second budget resolution in the absence of any other action. That was quite deliberate on the part of the committee.

Most of the people concerned with the act who have come before us have indicated that a proper amendment to the act would be to simply abolish the second budget resolution. A first budget resolution can be amended if the body proposes to do so since the entire budget process now is taking far too much time and effort, and also because the difficulty of going through to a second budget resolution is almost insurmountable.

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[1] See p. 699.

Do you, having followed that process, believe we should go through two budget resolution cycles every year in the way that was originally envisaged in the act? Would we not be better off if we concentrated entirely with whatever goals that the first budget resolution set and would it not serve the functions of the first and second budget resolutions?

GIVE THE BUDGET PROCESS MORE TIME

Mr. McEvoy. There are two answers to that question. The first one I would like to offer you is that it is too soon to tell. The budget process is only 8 years old, and has served under three Presidents with distinct styles, and under two very different forms of control of the Senate, Democratic and Republican.

In the Ford years, we were trying to figure out how to make the 40 pages work of the Budget Act, and we had to deal with the legacy of impoundment from the Nixon years. We are just getting our feet on the ground.

In the Carter years, when there were too many economic programs to keep up with. It was a problem of keeping order.

In the Reagan years, you have the most powerful President in 20 years, and he is sweeping all before him. I think the budget process has been useful to him in that regard. In the last 2 years, we have had a great deal of turmoil in the budget processes on that account. People are objecting to the budget processes because they don't like the results. My point is the real objections are not to the way the process works, but that people don't like the way its results turn out.

It seems to me that for at least 2 more years you ought to get more experience under your belt about how you want to do things. I am not talking in partisan terms, but rather about the new apparent era and how the change in national attitudes toward spending is going to work itself out.

I think your experience this year with the reconciliation bill, shows that you are scraping that bone a little. There's not much fat or muscle left in many programs. And last year's budget turmoil, which I thought was healthy both in terms of outcome and the way it was done, is not likely to be repeated in the same way. This year's reconciliation process was much smoother. As a whole, the reconciliation process was not only smooth, but revolutionary.

REASONS FOR NOT DROPPING SECOND RESOLUTION

We do not yet have enough experience with the process to drop the second resolution. There is too much happening to know what to do, especially in a radical fashion.

There are three separate reasons not to drop the second resolution that I would like to offer. Many people who suggest dropping it seem to proceed from a political science point of view, which I have found a little irrelevant to real politics. I noticed that Alice Rivlin here a month ago said the first resolution is becoming increasingly important, and the second increasingly not. She is speaking from a budget program point of view, about a format.

I was influenced by Senator Muskie. He held that the one vital difference between the congressional and the Executive process was that in the Executive process, the President only had to recognize the deficit. He could send up anything he chose, and say that the deficit looked like $50 billion. Under the budget process, the Congress has to ratify the deficit.

Now, it is one thing for Congress to ratify deficits last spring for 1984 of $83 billion. It would be quite another for Congress to have to come back now and ratify a deficit of 1984 of $160 billion, which is now the estimate. If I understand the chief economist of this committee correctly in the trade press yesterday, by 1984 the deficit will be a quarter of a trillion. That calls for further action. That is a political embarrassment, and it is a very real restraint on further spending.

We tried reconciliation in 1979, the first time it was ever attempted. It was unsuccessful. We got it through the Senate. The House wouldn't buy it. Senator Chiles was here and helped a great deal with it.

The way that we really got it through the Senate was to point to the deficit. Senators were going to have to vote for the deficit figure the next month because it was part of the second resolution that year. The prospect that when you are done with spending you are going to have to ratify the deficit it creates just before you go home and you can't sneak out of town and say, "Don't worry about it, we passed a program last spring" is a very real prophylactic against spending excesses.

So whether it is technical, whether it is difficult, whether it just ratifies things that happened, the second resolution keeps things from happening that would happen if you didn't have to do it.

As for being possible, it was done for 7 years. It is possible.

DON'T BECOME LINE ITEM COMMITTEE

Senator GORTON. Both of you mentioned that this not become a line item committee. Even as a new member, that seems very important to me, and yet the political process is such that when you say, for instance, that the energy function contains so many billions of dollars, almost inevitably the committee debate and the floor debate involve how that money is going to be spent. As frustrating as it may be, we end up with what are conceived to be line item votes on a number of energy programs.

Do either of you have any suggestions, either of statutory changes, or perhaps in this case rules changes, which would at least make that a less prominent part of the debate, to help focus more of our attention on what we are supposed to pay attention to, the broad general functions and totals?

Mr. GROSS. Senator, that is really an important motivation behind my first recommendation, which would not require a major change in law. Since the act on its face seems very good in this area, calling for setting broad functional targets, it is hard to find any appropriate amendment in this area.

I know that on the House side they are still having trouble with the concept of targets and Budget Committee assumptions. I can't tell you how many hundreds of hours I have spent with staff of other committees in the House trying to make it clear to them that the targets are based on certain assumptions; that we were not recommending $500 million for this or that; but that we had to assume something in order that we could explain what the function number meant.

I don't think there is anything you can do in the act itself to get at this problem. That is why I came up with my recommendation that you should adopt the first budget resolution earlier.

It is a long time from the time the President sends his budget up, say in the third week of January, through mid-May or late May. People have plenty of time to find relatively small items and get exercised over them.

It is so long, in fact, that it is inevitable that it will happen. It will also happen if you adopt the first resolution by April 1, but I think not nearly to that great an extent.

WHEN TO HAVE RECONCILIATION

Senator CHILES. Is not a crucial question in this that of when you are going to have reconciliation? I mean, if you are going to wait to put reconciliation into the second budget resolution, it is too late.

Mr. McEVOY. I agree with that, Senator, entirely.

Senator CHILES. If you are going to have it in the first resolution, haven't you made the first resolution binding?

Mr. McEVOY. Not on the appropriations process, necessarily.

Senator CHILES. I recognize that, and I went all through this history the first time, and I think we would have had a very difficult time initially, making the first resolution binding, because we were trying to ease it in. We had enough problems fighting the authorizing committees, who saw reconciliation as a way to take power away from them; of course, reconciliation was the sword in the cake. Thank goodness they didn't see that sword until we let the bull into the cage, because if they had ever seen it, I don't think we would have ever gotten it in.

Chairman DOMENICI. In the first year, you mean?

Senator CHILES. Yes; at the very first.

My concern is, having watched that process to start with, and having listened to the Appropriations Committees, or some of the subcommittees, say time after time, "We are not over the overall budget ceiling," and having seen this bill slip through that bill slip through, you knew almost the last thing they had left was defense, which was going to bust the ceiling. On the floor the Members were not going to vote against it, but yet the chairman of the Appropriations Committee would say, "We are not over our ceiling." We know the agriculture budget that went through was more than the ceiling, and the others were more than the ceiling, and you see those go through, and you almost know what was going to happen, that we would have to change a few. We had to do that several times.

Mr. McEVOY. You could get at the concern that the committee used to have to make members ratify the deficit before you go home by having a vote on the deficit alone. You wouldn't have to have a whole resolution to keep that discipline.

Senator CHILES. I like the idea of the discipline.

SETTING LIMITS AND HOLDING THEM NOT GOOD IDEA

Mr. McEvoy. The second thing that worries me, Senator, about the first resolution becoming binding, is that it is not a good idea to set limits a year in advance and hold them for a whole year against changed circumstances. It is difficult enough to hold them just after you have set them.

I will be interested to see how this year's second resolution, which is already so hoplessly obsolete, really holds up in the appropriations process until the beginning of 1984. You will come up against the pressures to meet a need, like food stamps was 2 or 3 years ago, and by God, Congress is going to waive the act, and waive it with increasing frequency, the more unrealistic the totals are.

We also suffered the criticism, and you Senators suffered it particularly, that all the second resolution ever did was ratify the reestimates. That was a common criticism of the act.

If it hadn't ratified the reestimates, where those reestimates were real and important, you would still have to meet them. It means giving the breathing room that the Appropriations Committee needs to do its job.

I don't mean to digress from your point, but responding to Senator Gorton's question about how you get rid of line item details to the extent you can, I am reminded of the way I thought we were headed toward mission budgeting in 1980. I regret the committee has apparently regressed from implementing your concept of the mission budget.

I thought in 1980 that we had really taken the step toward giving the Congress a real notion of what that resolution contained by mission, without telling them precisely how they had to allocate funds within the mission. Mission budgeting gives real guidance short of saying, "This bill is worth this much, and you can't go above it." I think its abandonment is a real loss in the budget process, and I hope you get back to it.

Senator Chiles. Well, I regret that very much myself, and I think that is something that drives you back to the line item, when you get away from the mission concept. I hope we can get back toward that direction.

Mr. McEvoy. I think the virtue of it was so extraordinary that I am surprised we didn't recognize it sooner. It is a halfway house between line iteming and setting vaporish totals.

BIPARTISAN PROCESS BREAKS DOWN

Senator Chiles. Well, I think there were problems in our whole process this year. I certainly felt there were when, in effect, we were presented with a budget at 3:30 in the afternoon and that budget was voted out at 10 at night before we looked at any particular section. We had an opportunity to amend the next day, but, of course, no amendments were adopted.

So it was a budget presented at a private meeting in camera, and then brought to us.

We got away from the whole process of going through the budget, function by function. I regret that very much, but I think that maybe it will work as long as one side has an ironclad majority in which they can lock in all the votes. I don't know how long that will last, but next year, I hope to see that the process works differently.

At least, I am going to try to see that it works differently. It was an extraordinary time this year, and I don't minimize that.

Mr. McEvoy. Because the Senator believes in limited government, as I know you do, I think it is particularly painful to observers to see the bipartisan process break down. We voted on party lines against the Republicans once when President Carter became President. It was a small item. We rolled the other side and didn't listen to it, and I think we paid a hell of a price, for several years after that repairing confidence on the Republican side that we were willing to work with them in a bipartisan way. I think that loss of bipartisanship is an especially sad one. My own impression is that there has been enough consensus in the committee during the past 2 years, toward many of the things the President proposed, that the votes didn't have to divide on partisan lines as often as they did.

Mr. Gross. Senator, in this respect I feel I am in another subject matter altogether. When I was with the House Budget Committee, we had a 2-to-1 majority of Democrats over Republicans, yet things were no easier than they are today.

The problems of budgeting are always severe, no matter whose they are. We constantly had problems with members challenging not only our results, but how we got there; challenging us when we gave them 90 instead of 100, yet somehow forgetting that when we gave 100 instead of 90. Those problems are there no matter what the majorities are politically.

Senator Chiles. I am sure of that.

Well, we thank you.

Senator Domenici has some questions.

Chairman Domenici. Are you finished?

Senator Chiles. Yes.

Chairman Domenici. First, I want to apologize to both of you, but frankly I think you contribute more by way of analysis than most witnesses are going to in all of these hearings, and from my standpoint I will review it carefully. I think you both have an excellent understanding of the situation.

RECONCILIATION ABUSES

Let me ask, George, you said that reconciliation has some possible abuses. I don't know if I am quoting exactly right, but your statement said something like that.

Mr. Gross. Yes.

Chairman Domenici. In my absence, did you give examples?

Mr. Gross. No, but I would like to elaborate. In an effort to keep my remarks short, I neglected to spell out precisely what I meant.

I think the abuses that took place were of two kinds. One was not so much an abuse as I think an error of judgment that hurt the relationships between the Budget Committees and the authorizing committees.

In the Senate, you included in the reconciliation process authorization levels, as well as entitlements and revenues. I think that was a mistake, and more so, in the House, which did not have the collective agreement that you and Senator Baker achieved on this side.

I think it hurt relationships between committees: Between the authorizing committees and your committee, and between your committee and members of the Appropriations Committee, who felt that they were perfectly capable and had a record of living within budget targets that you set, even without reconciliation, in earlier years.

In the House, I think the abuses were of a kind that don't necessarily relate to the process, but of a kind that has recurred in the House from time to time; that is, the substitution at the last minute of bills that are complete rewrites of what the body expects. In this instance, a 600-page bill that was submitted to Members in the middle of the night.

I think that is an abuse of the legislative process. From the perspective of the Budget Committees, it is too bad it happened on a reconciliation measure, a budget measure. That had the inevitable effect of Members blaming the Budget Committee and the budget process, when other forces were at work.

Chairman DOMENICI. That particular episode with the full substitution in the House, aside from the nature of the reconciliation, which was directed at authorizations which might lead to appropriations, which is indeed unique, the process of substitution over there has been the subject of many speeches, many accusations about dictatorial approaches.

Now, I am not a Member of the House. I know what our rules are and are not, but it does seem to me that the House has within its own institutional processes a way to avoid that. They didn't choose to do it. Am I not correct that if the Rules Committee did not want to authorize that 500-page substitute without sufficient time to peruse it and study it, that is their prerogative, is it not?

SUBSTITUTES NOT ILLEGAL

Mr. GROSS. That is absolutely right, Senator, and I am not saying that what was done was illegal. I am saying that it was an abuse of the legislative process to substitute at the last minute and in a relatively unintelligible form such a major piece of legislation, particularly in an institution that relies, and has for a couple of hundred years, substantially on some kind of relatively orderly review and consensus of its committees.

What happened is not something I haven't seen before. I was, in fact, part of a similar act in the area of housing legislation back in 1970. A bill that was already on the floor, what became the 1970 Housing Act, could not pass because, essentially, of one set of provisions in a 150-page bill. With the concurrence of the ranking minority member of the appropriate committee and the chairman of that committee, the bill was rewritten, I think on a Wednesday night, and presented to the House at noon on Thursday. But that bill was at least 85-percent identical to the measure for which it was substituted. Those things do go on.

I think the bottom line is, Senator, that much of the bitterness over any opposition to the budget process, in some respects stronger today in the House than it was previously, is there because of that battle, which is evidence that it was at least an act of misjudgment.

Mr. McEvoy. Mr. Chairman, I would like to agree with George on that point, except to share dismay for another reason.

First of all, it seems to me, as Congressman Barber Conable, I think, likes to say, that democracy is a messy business. That day it was messy. You had the votes, you had them for your version of the bill, you followed the rules, and you won.

Chairman Domenici. He knows about messiness, because without the process I think he has categorized a few tax bills that have been passed in December of a number of years, as being carried to the floor in cardboard boxes. I recall him giving a speech on that.

I would submit that that might not have been a substitution such as occurred over there, but it certainly is one committee taking a bill of 800 or 900 pages that nobody could possibly know anything about, it was pieced together, and I assume, if it was submitted to the same scrutiny that the Gramm-Latta bill was, you might even find a few phone numbers in the white part of those pages.

Mr. McEvoy. That is what I was going to comment on, actually. I don't have any argument on what happened in reconciliation last year at all. I think that is the way it is supposed to work, in my view. It worked, and you made it work, and that is to your credit.

I was dismayed by the telephone numbers, frankly, because of what it implied cosmetically, symbolically, for the way the President's budget and the President's budget people were in the saddle on the congressional budget process. It wasn't a product dreamed up in the House or the Senate, but was dreamed up downtown, and had the President's fingerprints all over it.

Again, that was within the rules, and was OK from the standpoint of the rules. From the standpoint of an independent congressional budget process, it was too bad.

I am coming around, by the way, to a note of hope. Another note of dismay, though, was when the picture appeared in the paper last winter on the continuing resolution of David Stockman with his hand-held calculator, doing the numbers for the House and the Senate—what the hell was he doing in the Congress? Where was the CBO? What was the President's man doing there?

PRESIDENT CONVINCED TO SUPPORT PROGRAM OTHER THAN HIS OWN

As I said to Senator Gorton, an encouraging thing this year, and you are in the forefront of it, is the way you and Senator Baker and Senator Dole have used the congressional budget process to reassert through the process, I think, an independent judgment on what the correct fiscal policy is. You have taken leadership and convinced the President to support a program other than his own, a program in tax terms radically different from his own. And because it was consistent with the budget you adopted, you opposed him in overriding the supplemental.

So I think we are seeing a natural reassertion of the healthiest part of the congressional budget process. I didn't think you got enough credit for it, frankly, but I did want to note it.

Mr. GROSS. I want to add my agreement with that. I think you and Senate leaders in general have done an outstanding job in that respect. I have said that to you before, and am happy to say it publicly now.

Chairman DOMENICI. In terms of getting enough credit for it, John, let me just say maybe we get as much credit as we want.

Mr. McEVOY. I understand that. I will let you edit that part of the record, Senator.

Chairman DOMENICI. I want to share a couple of thoughts with you.

First, I understand you wonder about the President's man with a computer and the CBO, where are they, and so forth. I understand as an example that the Appropriations Committee is about to produce an agriculture funding bill, an appropriations on agriculture.

Now, it is being heralded by the subcommittee that produced it, and don't hold me to the numbers, as being about $2 billion, or more than $2 billion under the target.

Now, Stockman is going to get criticized, because he runs a set of numbers and he says it doesn't save $2 billion. In fact, it is $700 million over. How do you resolve that?

Mr. McEVOY. I have an answer for it, Senator, I hope. Actually, and you have reminded me of the time Senator Muskie came back to Sid Brown and me, and demanded an explanation of the farm bill. He had been caught in the chair, and Senator Humphrey was on the floor and convinced him that the farm bill paid for itself.

So you can get caught by sleight of hand.

GET INDEPENDENT SCOREKEEPING

I think there are two answers. When a bill is over the budget, you get some people with independent scorekeeping. Mr. Stockman's scorekeeping is not going to be believed among Democrats. It is going to be used against you in fighting the bill with the Democrats. Somebody like CBO says it is at least presumed to be objective. Then you can accept it or not. Then you get together some brave men like yourselves on the agriculture bill in 1978 and you fight it with objective numbers.

That bill couldn't be beaten in the Senate, but you softened it up and made the case that beat it in the House that year.

I am on the planning committee and policy board of our law firm, and we are trying to do a 2-year budget. We have a big law firm, employing about 450 people altogether. But it is hard to do 2 years of budget. What we have found out, and we have only 20 line items, is there is a computer program readily available, called vistcale. You put all your line items in the computer, and if you want to find out how any change in any of the lines affects all the rest, including the bottom line, you just punch a code in, and it computes automatically.

USE COMPUTERS FOR SCOREKEEPING

Frankly, I don't see why it is not possible for every Senator to have at his desk a simple-to-understand—and I think they are commercially available, and certainly readily designable—a little computer screen on which scorekeeping could be shown. You could have figures come up on a screen at the press of a button. You could have it programed by CBO so that the cost of this amendment and the cost of this bill, show its effect on the budget.

Now, people say, "We are not going to be crucified on the cross of CBO's estimates," but the committee estimate could also be shown, and the sponsor's estimate shown. It seems to me difficult for the Congress of the United States not to be using technology on the budget that no small business on its own would dream of being without.

Mr. GROSS. Senator, I think the Budget Act puts that kind of burden on you and the chairman of the House Budget Committee.

The legislative history on this point is clear. When a spending or tax bill comes to the floor after the second resolution is adopted, it cannot exceed the spending ceiling or break the revenue floor. Whose responsibility is it to make the judgment as to whether it has or not? You have to make that decision, and Chairman Jones has to make it. You have CBO to help and your own fine staff, and the President has David Stockman.

Chairman DOMENICI. So there is no clearcut way, and they might want more out of the system than it is capable of doing.

Mr. McEVOY. When I refer to Mr. Stockman, I mean that the way the world works, that any President's budget estimate will automatically be impeached by the other side.

Chairman DOMENICI. Let me ask you a question about reconciliation. I am quick to admit that omnibus reconciliation bill last year probably will be written up in the literature on public policymaking for a long time, and we may never have another one like it unless they get one of six or seven people around here quickly to tell them what it really was about and how it was measured and what its goals were. It will probably be a speculative matter for 30 or 40 years.

I think those of us who put it together knew what we had in mind.

AREA WHERE RECONCILIATION NOT WORKING

Let me give you an example of a reconciliation area where reconciliation is not working. You take the committee here in the Senate, Labor, Health and Human Resources. Presently, the way reconciliation applies, you get that committee to make savings. We have not reached the point, thank God, that we must recommend or mandate it for 3 years, say half a billion this year, and so forth.

All we do at this point is tell that committee if it has some direct spending or entitlement matters that they are supposed to make those savings. But their jurisdiction is so big that, for instance, if we saw the student loan program, if we had caught it, John, back when we were in a frenzy here and took all the ceilings off, because our goal was to help middle-income America, and we didn't want to have those $20,000 caps on earnings. We took them all off, and we subsidized them at 6 percent. It was pretty nice when we passed it, but within 12 months interest was at 12 percent. Within 18 months, interest in the marketplace was 18 percent, and we still had them in at 6 percent. The program went from $750 million, my recollection, to $4.4 billion in a period of about 23 months.

Why shouldn't it? What redblooded American would put his savings in for 10 percent or 12 percent when they could put a CD out for 16.5, percent and no interest for 4 years, and when the interest started, it was 6 percent.

We contemplated on the floor, and even on the floor we voted here in the Senate on the resolution, because we said we had to restructure the program so it will come down.

There is no way to assure that that committee in producing a reconciliation bill does that. Right? They can take from the whole cost of most programs, and they can chop some off here and there, and still do nothing with the program, in our institution anyway, since we amend, as you know, and people go down and give a speech on what their amendment means, even though you and I know it doesn't mean that, because the resolution is not line item, so they say, "We are adding money back for student loans, another $200 million."

It is not doing that at all. It is changing the functional number or the reconciliation mandate.

Do you have any ideas on how that kind of thing could be done?

MISSION BUDGETING CONCEPT IS ANSWER TO PROBLEM

Mr. McEvoy. George and I decided to switch the order of answering that, Senator, because I have an answer that I gave Senator Chiles.

I was telling Senator Chiles that I regretted that the committee has not chosen to continue the mission budgeting concept that we were working on in 1980 for the first time.

I hope that it has been the turmoil of the last 2 years that has sidetracked that effort, but I think it is the answer to your problem.

I think Senator Chiles had in mind when he authorized mission budgeting in the Budget Act the creation of a halfway house between aggregate totals and line items. That way we could specify totals at a level low enough to say what we meant in priority terms, but wouldn't be in the Appropriations Committees' hair on individual bills.

You could decide that education credit was one of the missions. Once you decided that it was a mission, and once you put it in the budget resolution, you could reconcile, it seems to me, by mission, to committees. At least there is no theoretical or legal objection to that.

Now, you might have all kinds of political objections, but they are the same ones you have in doing reconciliation at all, because people don't want to do it.

But I think that mission budgeting is a way to at least narrow the range that a committee would have in meeting reconciliation instructions.

DISSATISFACTION EXISTS WITH INDIVIDUAL PROGRAMS

Mr. Gross. I think that is a good point, Senator. But I also want to caution you that this is where much of the dissatisfaction that exists with the process lies, the effort of the Budget Committees to get into individual programs.

I am not stating their view because I necessarily agree with them. It seems to me though that, unless you want to take the process another step further, toward a more detailed budget resolution that breaks out the functions in some way, it starts you on the road to fairly detailed individual program decisionmaking by the Budget Committees, you ought to be very reluctant to do that.

Now, you ought not to be reluctant, however, when the student loan bill or some other bill gets to the floor, to press your own views. When a committee has saved money on programs (B), (C) and (D), and not touched (A), as you intended, it doesn't seem to me that you should be reluctant to offer an amendment for yourself, or for other budget committee members. It is a priority question you are talking about, and your are very much involved.

When the Education Committees do not want to cut student loans, it is not far from the position of the Defense Committees which do not want to cut defense. They will come into conflict with the priorities that the Congress has established in that resolution, and you ought not to be reluctant to press your own priorities.

RELUCTANT TO SUBSTITUTE CHANGES

Chairman DOMENICI. Well, George, I understand, but I think you also have been very properly reminding us of real, or apparent, problem that comes from either the real or apparent overstepping as perceived by some who are either right or uninformed, but nontheless it is there, and I tell you my own philosophy and policy has been that I try to get the committee to do what the Senate had in mind through staff work and private meetings, and I am very reluctant to substitute substantive changes when they bring a reconciliation bill, because we are getting along splendidly here, contrary to what some say, and all I have to do is start substituting in Bob Dole's tax bill what we thought we had in mind, or reconcilation that provides some spending measure.

It is available, and I know it, but it is not a breakthrough.

Mr. MCEVOY. I don't disagree with George's point, Senator, but I think it is important that we among ourselves recognize that this committee is basically "Fort Apache." For 8 years, the Budget Committee has met in this room, or one near it, against the world. At one time people were saying, "You can't reconcile at all." Well, you did that.

Then, they said, "You can't reconcile entitlements," but you did that, so they said "You can't reconcile in the first resolution," but you did that.

Everything that the Budget Act permits was resisted on the grounds that you couldn't do it for procedural or legal reasons, but what they really meant was, "You can't do it to us, no matter what you have in your corner."

It is a political process. You just said that. You have to work things out the best you can, and there is nothing you can build into a process that will make it work out for you if people don't want to do it.

REPORT RESOLUTION WITHOUT TRADING CATEGORIES

But there is no reason the Budget Committee couldn't report a budget resolution with other than the traditional categories. You could have 50 categories, and education could be one. We adopted those that were traditional in the budget and would be used in the President's budget. There is no legal limit on proliferating the number of categories you need, to give instructions by category that are specific by bill.

You could have 700 categories.

You can certainly have missions within the functional categories. The only issue is——

Chairman DOMENICI. Of course, there is one problem with that, John, and that is right up front you would have to try to get as much similarity in the two resolutions as possible.

Mr. MCEVOY. Sure.

Chairman DOMENICI. Otherwise, we would be unilaterally instructing and going to conference and have it pooled, and be nowhere.

Mr. MCEVOY. Absolutely. Two years ago, we would have had to force it on the House if we put them in that position, quite apart from reconciliation.

But that is what we had to do with reconciliation, too. The House will someday have something they want to force on the Senate. That is the politics of it.

I always worried about people making legal arguments under the Budget Act. That is never what they really meant. I think it is important among the Budget Act people to never forget that the argument about being consistent with the theory of the Budget Act, if that is the argument, is usually an argument between those who believe in the budget process and those who don't. They use legal arguments to justify substantive objections.

Mr. GROSS. Section 301(b) of the Budget Act is one of those classic lines that says you can do anything you want that you can get away with.

I think it is a necessary provision in the Budget Act. No one knew how it was going to work, no one knew what changes were needed. I would only caution you on one thing. I know this has happened, particularly in the House. Too many times the Budget Committees think up some nice new provision and puts it in the first budget resolution under 301(b) without having a real process of consultation and discussion with the other committees.

This process is not the wholly owned subsidiary of this committee, or of the House Budget Committee. It belongs to the entire Congress. They need some more time. When you say, "We are going to do this," you ought to get the views of others. The last thing you need is constantly to surprise them with new techniques under 301(b).

Chairman DOMENICI. Well, it shouldn't surprise either of you that aside from new processes which you have ticked off, that we have innovatively put in by using section 301 reconciliation on the first resolution, reconciliation multiyear, and you have stated most of them.

MULTIYEAR INSTRUCTION ON TAXES

The other one is multiyear instruction to the Finance Committee on taxes. Both of you were around when it was not only, as you have just described it, illegal, because no one wanted us to do it, but we couldn't even talk about it. You recall, we had to bring the chairman over, and we talked about that area at the end of the budget process.

But I guess you would know that we didn't do that in a vacuum. Why do you think Bob Dole went to work exactly at the time he did, and finished exactly before a recess? Because all his committee liked to go home, and that happened to be the due date that we agreed on in advance that had those kind of things that were worked out.

The appropriators agreed on the funds in this resolution before they went to the floor. We gave them latitude in the crosswalk, and they did that, too. There will still be problems.

But I think that has to be done. It is difficult in the House, because you have an administration and a Senate moving in a different direction, and Jones and his majority have a difficult time, because whatever they end up with is going to be out of sync with what the other two agree on.

So it is a problem.

Let me ask, then, both of you are pretty familiar with what we have been doing, and with the act. You know a little bit about the atmosphere up here. You know a great deal about the plusses and the minuses of this process.

Is it in desperate enough need for amendment and change that we ought to proceed quickly to do it, or should we leave things alone for a while?

Mr. Gross. Well, Senator, John and I disagree on this point.

John will talk for himself, obviously. He feels the dangers of amendment, in opening up the act to change, are serious.

I recognize that. They are always serious, but to paraphrase somebody some years ago, if not now, when? When is the process going to be in better shape?

I don't foresee that time, certainly not in the next 3 or 4 years. I think that as deficits get larger, if in fact they get larger, it will be even more difficult to get change.

MANY THINGS CAN BE DONE WITHOUT AMENDING THE ACT

I believe change is needed. Some of the changes I have recommended do not need legislation. That is particularly true for my major recommendation, that the first resolution be adopted earlier. That I think can solve many problems, or at least help to solve many problems.

The same is true of my recommendation with respect to appropriations bills. Assuming a fairly low spending level if they are not passed by the second resolution does not require a Budget Act amendment. I think there are many things you can do without amending the act.

I don't believe that anybody ought to take the position that this process, which is strong and yet has a tremendous amount of criticism attached to it, oughtn't to be changed to meet criticisms which are, in fact legitimate.

Mr. McEvoy. Senator, just in a nutshell, I think every group that opposed the creation of the Budget Act, and that is virtually every prospending group in the city, still opposes the Budget Act, and will do whatever they can to weaken it in any amendment process.

I think the Budget Act, since it was created, has offended a lot of people, and more in the last 2 years than it had previously. They are still out there, and still angry, and they are ready to amend the Budget Act to get rid of their points of contention.

Unless you are sure you outnumber them, I don't think this is the time to amend the Budget Act.

Second, I think it is premature, as I told Senator Gorton, to amend the Budget Act. He said, "If you don't think we should drop the second resolution, when should we?" I said I don't know. It is too early to tell.

Last year, you took the process and put your imprint on it. This year, you have a second resolutionary year on the tax side. How do you know what it will take to make the process work in the third year? I don't know. If you do, and if you are sure you have the votes, go ahead.

If you are not sure, then wait.

Finally, Senator, you heve repeated to me all the things you have done without a change in law. It seems to me that demonstrates anything that needs to be done can be done without a change in law.

WHO WANTS THE CHANGE IN LAW?

Who wants the change in law? Those who don't like things the way they are. I would let more time pass, let some tranquility set in. I would let a couple of resolutions pass in which the Budget Committee had time to mend fences in more normal times than you have had in the last 2 years.

Chairman Domenici. Thank you very much. We are going to take a 5-minute recess before we take our next two witnesses. If you will get ready, we will convene in about 5 minutes.

Thank you both very much.

[Recess.]

Chairman Domenici. We are going to start. We are about 12 minutes late. Suffice it to say that both of you contribute regularly to the media coverage of the budget process. You have watched the progress and the evolution of the procedures, which these hearings are intended to examine.

I think we are fortunat[illegible] have an opportunity to hear from you, but not so fortunate [illegible] we should stay beyond 12 o'clock. [Laughter.]

Senator Gorton, do you have anything you want to add?

Senator Gorton. I concur.

Chairman Domenici. I have a lot of proxies, so it wouldn't do you any good if you didn't. [Laughter.]

Would you like to proceed? You go first.

STATEMENT OF RUDOLPH G. PENNER, AMERICAN ENTERPRISE INSTITUTE

Mr. PENNER. I would like to thank the committee for this opportunity to testify.

The congressional budget process has been operating under conditions of extreme duress. There were times this year when I had some doubts that it would survive. The fact that we have a budget resolution and that a large portion of the deficit-reducing elements of that resolution has been enacted into legislation is testimony to the strength of the process and the leadership exercised by this committee, other Members of Congress, and the administration.

THE PROCESS IS VERY POWERFUL

Some blame the difficulties of this year on flaws in the process. I do not. Needless to say, the process is not perfect, but I believe that the problems of this year and the time-consuming nature of the deliberations are more a reflection of the fundamental difficulties of the decisions that had to be made than they are a reflection of important flaws in the decisionmaking process.

Choosing among conflicting goals is always excruciating. Prior to the invention of the process, Congress did not have an adequate mechanism for making such choices. Obviously, if difficult choices are not made explicit, decision making is easier, but considerably less rational. Consequently, the drafters of the 1974 act knew that they were making decision making more difficult, just as it should be.

I doubt, however, that the inventors of the process ever imagined that things would be as difficult as they turned out to be this year. The problems that emerged stemmed from the legislative actions of 1981. While I agreed with the goals of those actions and while goals were not logically inconsistent, the administration and the Congress got their numbers wrong. The enacted reduction in long-run revenues was far in excess of the prospects for lower long-run spending, and massive long-run deficits became ingrained in any reasonable budget projections.

That left the Congress only with unpleasant choices. Some of the tax cut had to be taken back and programs had to be cut further. Given the excruciating nature of the decisions that had to be made, I think the fact that the choices could be made in a recession coinciding with an election year tells me that the process is indeed very powerful and not at all riddled with weaknesses.

Unfortunately, a large deficit problem remains. The process will be under extreme duress again next year although a recovering economy and the absence of an election should make things a bit easier. They will, however, be far from pleasant.

MAKING FUNDAMENTAL CHANGES WOULD BE A MISTAKE

I think that it would be a big mistake to try to make fundamental changes in the process while it is under such duress. There are a number of reasons for this judgment:

One, as already noted, I think that there is a tendency to confuse problems which arise from weaknesses in the process with [illegible]ecisions that have to be made. I am not sure that I can sort out these problems myself right now.

For example, it is not clear to me how much blame for the time-consuming nature of the process should be attached to each problem. Under these conditions, there is a high probability of making mistakes. I am confident that having made considerable progress this year, we shall be able to resolve a considerable portion of the remaining deficit problem in the deliberations over the 1984 budget. There is a very good chance that things will become easier for the 1985 and future budgets and that, in my view, is the time to amend the process.

Two, the current duress is not without some benefit. It is subjecting the whole process to the severest test imaginable. Under those conditions we are learning more about what is good and what is bad about the process. I think that we shall learn a great deal more next year. We can make use of that knowledge in one comprehensive set of amendments.

Three, I would not make the previous two points if the process had become inflexible. But we have shown that we can make useful changes within the confines of current law. The reconciliation process has been reformulated, and while there is a lot wrong with that process, and I wouldn't want to see it used every year, I think Congress has exercised amazing discipline, and indeed I find it hard to believe that you could have accomplished as much as you did without it. Before this year, I favored having only one resolution in the spring and making it binding. I now believe that the approach taken this year is preferable. It puts the second resolution into effect unless the Congress decides otherwise. This procedure saves time in ordinary years, but leaves a formal procedure and schedule in place for making changes if economic conditions or priorities change significantly over the course of the summer.

In the event that the budget process is amended, I shall respond to those questions in your letter on which I have definite views.

BUDGET CYCLE

Turning to the matter of the fiscal year, I do not believe that much would be gained from making the fiscal year concurrent with the calendar year. I am afraid that I believe in a kind of Parkinson's Law of Budgeting. That is to say, the time taken to make the decisions will almost always be slightly longer than the time allowed by formal budget procedures.

Something would, however, be lost by changing the fiscal year. It is devilishly difficult to forecast economic and other events that play such an important role in determining budget totals. Extending the time horizon another 3 months would greatly increase the errors that result from erroneous forecasts. Things would become particularly difficult for the executive branch if the President were still required to present his budget in the January or February preceding the beginning of the fiscal year. I know that three months' difference does not sound like much, but it is very important in affecting the accuracy of the typical economic forecast. It is a very long time, indeed.

Many of the same arguments apply to the notion of a 2 year cycle for authorizations and appropriations. I suspect that the Congress would find that it saved only a little time and effort because so many midcourse corrections would be necessary. That is quite different from saying that the Congress should ignore the long run. One of the triumphs of the budget process is that it has placed more emphasis on the long-run implications of tax and spending decisions. This year the process paid considerable attention to fiscal 1984 and 1985, and I think those decisions were more rational as a result. I think that as we extend the time horizon we have to make better decision on the basis of overly optimistic long-run assumptions.

It has recently been suggested that some sort of joint board, perhaps consisting of the CBO, the Fed, the administration, and the two Budget Committees, be given the responsibility of coming up with a single set of assumptions that would be used by all budget decision makers. Any group of decision makers that disagreed with the single set of assumptions could recompute the budget totals using their own favorite assumptions, but, at least, we would have one set of assumptions used by all and that would clearly differentiate differences in budget totals that resulted from different policy recommendations from those that resulted from different assumptions. I think this confusion has bedeviled decisionmaking in the past, and you avoided it in the negotiations over the 1983 budget.

IMPOUNDMENT CONTROL

Turning to impoundment control, I believe the President, who after all represents the entire Nation, should be given a bit more power in the budget process. I would accomplish this by requiring that deferrals and rescissions be rejected by both Senate and House. Currently, rescissions must be approved by both bodies.

This sounds like a small change, but it would, in my view, shift the balance of power in a significant, but clearly limited, manner. One could think about going further and requiring a super majority, say a 60 percent vote to reject a recission, but I suspect that that might not be constitutional. It would be almost the logical equivalent of giving the President an item veto.

I do not favor giving the President the same power over entitlements that he now has over Federal pay raises. It is extremely difficult to control entitlements, especially social security. I think that any control procedures will have to be worked out very carefully and will require close cooperation and long bargaining between the President and a majority of the Congress. It will, in my view, be essential for both the President and Congress to share equally in the responsibility, or if you like, the blame for making significant changes. I think that the proposal passes too much of the buck to the President and could result in long, divisive debates which do not culminate in any reductions in spending growth.

RANGE OF FISCAL CONTROLS

With respect to the range of fiscal controls, I do believe that offbudge outlays should be brought on budget. It is especially important to bring the activities of the Federal Financing Bank under control. Indirectly, this would help to control loan guarantees. I also believe that for every guarantee program, there should be an actuarial determination of expected losses. To the extent that guarantee fees do not cover expected losses; that is, there is a subsidy from the issuing agency, the agency should make contributions to a bad debt pool and those contributions should be an appropriated line item in the agency's budget. Interest wouldn't affect the totals of the intergovernmental payments, but would make the agency clearly responsible for losses in its budget.

I am against aggregate limits on tax expenditures in the budget. I say this largely for practical reasons. The definition of tax expenditures is much more ambiguous than the definition of outlays, receipts, and other numbers in the budget resolution. There are peculiar interactions between the estimated value of a tax expenditure, marginal tax rates, and the zero bracket amount which, in my view, make an aggregate tax expenditure total virtually meaningless. The definition could be improved in ways that make it more useful, but I think that the control of tax expenditures should be left to the tax-writing committees as they formulate policies consistent with the budget resolution's revenue floor.

THE BALANCED-BUDGET CONSTITUTIONAL AMENDMENT

There are grave practical difficulties inherent in any attempt to implement the amendment passed by the Senate, and I have opposed it largely for that reason. The most difficult problem involves insuring that actual outlays do not exceed the outlay level planned at the beginning of the year. If an amendment containing such a requirement does pass the entire Congress, we should start experimenting immediately with procedures directed toward that goal.

At a minimum, the allowance for contingency functions will have to be given real meaning. In recent years, it has become a home for magic asterisks and obscure savings promised from management initiatives. This is clearly not desirable and the function should be reformed even in the absence of a constitutional amendment.

I believe that we should routinely put an amount in this function equal to 2 percent of outlays for the fiscal year under consideration and to 3 percent of outlays in the out years. It could be called the Murphy's law adjustment. It would counter a natural tendency to be too optimistic with regard to expected outlays for things like natural disasters, agricultural programs, and interest on the debt.

Thank you, Mr. Chairman.

Senator GORTON. I am sorry the chairman wasn't here to hear your last couple of points, Dr. Penner.

Dr. Ornstein.

STATEMENT OF NORMAN J. ORNSTEIN, AMERICAN ENTERPRISE INSTITUTE AND THE CATHOLIC UNIVERSITY OF AMERICA

Dr. ORNSTEIN. Thank you, Senator. I appreciate the opportunity to testify.

I concur with Rudy by saying there is no need at this point, and this is no time for a substantial overhaul in the Budget Act. I would much prefer to wait a couple of years. It is clear this has been an extraordinary time in the Congress, and making changes during or immediately following an extraordinary time is the worst way to do things.

I give weak support to making modest technical changes in the act itself, and I would support, as I will indicate in a few minutes, some changes in the process, and particularly in the nature of the Budget Committee inside the Senate, and I would also put on the table at least the one major change which, as I suggest in my written statement, has absolutely no chance of success, but it is worth getting on the agenda for consideration now.

NOT IN FAVOR OF 2-YEAR BUDGET CYCLE

I begin by speaking against a major change that has been suggested by some observers. That is a change to a 2-year budget authorization and appropriation cycle. For a long time I advocated a 2-year budget cycle. I believed that it would be a good idea, enabling Congress to spend more of its time setting broader priorities and less time consumed month to month and day to day with the details of budget decisions, year in and year out. But I have come to believe that this would be another of those "reforms" where the unintended consequences would outweigh the intended ones. Over all, I believe the 2-year budget cycle would force Congress to become more preoccupied—not less—with budget matters over the course of the full 2 years.

As we know now, every budget process requires creating economic assumptions projected at least 18 months into the future. Any such predictions are, at best, risky and hit and miss. To do so with a 2-year budget cycle, making assumptions as much as 30 or 36 months in advance, would be even more hit and miss and would require constant fine tuning and adjustments of appropriations and the budget at every step along the way.

We have seen in recent days how much controversy can occur and how much congressional attention is consumed in dealing with supplemental appropriations bills, which often are required to accommodate reality to previous economic assumptions.

With a 2-year budget cycle, we would be likely to see a large number of supplemental appropriations, continual readjustment of assumptions, and a strong temptation on the part of Congress to set assumptions for the second year of the cycle in a far more optimistic fashion, requiring even greater adjustment later on.

When a budget process is used as we use it, to set national priorities, it has a natural tendency to take over and dominate political proceedings, especially when we are changing priorities, and I think we are going to be in that situation for a long time to come.

Changing the fiscal year will not limit that domination to a handful of months; rather, it will expand to the extent that budget matters and money matters are considered over the entire period of time.

This, of course, has been the experience with the change in the fiscal year brought about by the 1974 Budget Act. Moving in essence the time for deliberation for the budget from 6 months to 9 months has not enabled Congress to finish its budgetwork and its appropriations bills during the allotted time and before the fiscal year begins. Rather, as we have seen, the work has spilled over, expanding to fill that time and more, and gotten us even further in the hole when it comes to getting this work accomplished. This would be true in even greater measure with a 2-year budget cycle.

MAKE FISCAL YEAR CONFORM TO CALENDAR YEAR

One change that I would endorse—as indicated, I would endorse it weakly—is a change to conform the fiscal year to the calendar year. I think it would make the budget process somewhat more understandable to the public as a whole, many of whom don't appreciate the difference between a fiscal year and a calendar year. Giving Congress a little more time to deal with the budget before the new year begins would not do great damage to the process, espeically since for much of that time, during most of the years, Congress won't be around. What changes it would make in the executive branch I leave to those who know the executive branch better than I do, but that doesn't concern me all that much, frankly.

I would also seriously consider changing the relationship between the first and second budget resolutions, but I doubt this has to be done in a statutory fashion, especially given the experience this past year.

If things worked every year the way they worked this year, I would not see any need to make changes. I think it makes sense to make the first resolution a binding one with the possibility of making adjustment with a second resolution in the fall of the year, or in some other fashion.

It doesn't make sense to me to have a budget resolution that is advisory, whenever it occurs in the course of the year. It seems to me a waste of time.

That, of course, is how the first budget resolution was seen in the years before reconciliation was applied, and it appeared to me to be largely a waste of time. I think it makes sense to have decisions that are at least in some way binding on Congress early in the budget process, recognizing of course that provisions have to be made for alterations later on. As I say, it is not clear to me that changes in the act are necessary. You can experiment around in a process which has enough leeway in it to make it work, and I think this year it has worked well.

MAKE THE BUDGET COMMITTEE A MAJOR COMMITTEE

Now, I would like to suggest another change, Mr. Chairman, which is beyond the authority of your committee, but which would clearly affect the role that the Budget Committee plays in the Senate and in the budget process.

As you know, I served on the staff of the Senate Select Committee To Study the Committee System in 1976 and 1977, a committee on which you served.

We recommended at the time—with the strong support of Budget Committee Chairman Senator Muskie, and ranking minority member Senator Bellmon, making the Budget Committee a major committee, one of those committees in which Senators' service is limited to two.

Senators Muskie and Bellmon believed, and our committee agreed, that the Budget Committee could not go on indefinitely being a minor committee, the third or fourth for most Senators who served on it.

They believed, and our committee concurred, that ultimately a strong Budget Committee would require a very strong commitment on the part of the Senators who served on it, and that its credibility in the Senate over time required a membership which would spend the time and effort and invest the resources to make it strong and credible. The only way to do that, in the viewpoint of our committee, was to make Budget a major committee on a par with the other major committees like Appropriations, Armed Services, Commerce, Energy and the like.

That recommendation was included in Senate Resolution 4 which passed the Rules Committee and was passed by the Senate and made part of Senate Rules on February 4, 1977, but the provision was delayed for 2 years to enable members then serving on the Budget Committee to maintain their assignments and not have to make a difficult choice for a period of time.

Two years later, the decision was deferred again, as continuing members of the committee pleaded with the Senate leadership to maintain the status quo. Ultimately, the decision was changed, making the Budget Committee, for Senate assignment purposes, a minor committee, and therefore a third committee for Senators.

For many members of the committee, the rules have been further ignored or bypassed, and they serve on the Budget Committee as a fourth committee, or at least in addition to three other significant assignments in the Senate.

Over the long run, I believe that this will reduce, if not destroy, the capacity of the Budget Committee to make tough priority-setting decisions that might go against the grain of other Senate committees, or of other Senators, and to have those decisions stick in the Senate as a whole.

A strong budget process, in my view, requires a strong Budget Committee, and I would urge this committee to consider now, when the prestige and power of the Budget Committee is at its peak, making the committee a major assignment, beginning with the next Congress.

When a substantial number of Senators agree to make that kind of a commitment to give up service on other committees to be on the Budget Committee, the future positive role of the Budget Committee and the budget process will be greatly strengthened.

MERGING THE BUDGET AND APPROPRIATIONS PROCESS

Now, Mr. Chairman, let me return to the one sweeping reform that I might suggest that has absolutely no chance of being seriously considered by the Senate or passed and enacted into law. That is a merging of the budget and appropriations process, or alternatively, merging appropriations and authorizations.

The 1974 Budget Act, of course, did not truly reform the budget process on Capitol Hill. It did not change the basic responsibilities and functions of the existing committees.

Rather, it added a new layer on to an existing process. Congress continued to have separate appropriations, separate authorizations, separate revenue measures. In some ways, adding a new layer has added to the workload and the complexity of the budget process.

In other ways, it has made separate appropriations functions superfluous. It has also at times caused the Budget Committee and the Appropriations Committee to be at odds with one another, and that has hampered both functions.

One of the main reasons for creating a budget process in 1974 was because the appropriations process was broken down into 13 separate components without ever having overall priorities and ceilings set in each of the areas. That was a major function of the budget committees and the new budget process. Having this process in place now means that there is much less need for completely separate and continuing appropriations committees and authorizing committees. If there is a process for setting over all priorities in broad areas, and for making Congress live within the budget limits set by the broad process, there is no particularly strong reason for having separate appropriations and authorization processes.

The best thing to do, in my view, for the sake of efficiency in Congress and to keep budget and appropriations from working at cross purposes with one another, would be to merge the Budget and Appropriations committees into one, to make sure we have a strong Budget Committee and to make sure we don't have every member of the Appropriations Committee dead set against from start to finish.

Senator GORTON. Wouldn't that just have an Appropriations Committee that would control the Finance Committee?

Dr. ORNSTEIN. Any way you cut this down that you don't have one single catch-all committee, you will have committees working at cross purposes with each other.

Senator GORTON. You don't mean to combine all three?

Mr. ORNSTEIN. No. I think that would be unworkable.

You would have a Budget Committee setting priorities, and sending it to Appropriations, which have overlapping functions, and authorizing committees, and basically causing problems at every step along the way.

Senator GORTON. During the past 2 years, have we not had a greater impact on the Finance Committee through reconciliation?

REALINING THE JURISDICTIONS OF COMMITTEES

Dr. ORNSTEIN. Yes, I think so. You run into an even bigger ratsnest if you begin to try to divide up finance functions in another fashion.

Now, I have worked on realining the jurisdictions of committees, eliminating committees and recommending the elimination of others. I am well aware—more aware in fact than just about anybody—of the political folly of this suggestion. I recognize that it is an idea whose time has not come.

Nevertheless, I think it is something that ought to get on the political agenda for discussion now. Ultimately, if Congress is going to have an efficient and effective budget process, it has to streamline that process. And this is one compelling way to achieve that goal.

I would conclude, Mr. Chairman, with praise for you, the Budget Committee and Congress as a whole for their performance overall in economic matters over the last 2 years, and particularly in 1982.

I think Congress has acted responsibly in cutting the growth of Federal spending and allocating priorities during this timeframe. And I think in general the budget process has worked well.

While there are some things that I would do if I had my druthers that might be considered sweeping change, I would be quite content to leave the budget process pretty much intact as we move into the future, perhaps making some minor adjustments and perhaps some technical changes.

But over all, I think that Congress and the Senate have reason to be proud of the work they have done during this Congress, and have no great and compelling reason to consider dramatic revisions in the Budget and Impoundment Control Act of 1974.

I give a lot of speeches around town, and when I get up and take question the people criticize Congress, particularly on economic matters in the past year. I rise in defense of this institution by saying that basically Congress moved into a vacuum and moved responsibly to attempt to solve our economic problems.

Thank you.

INDEPENDENT ECONOMIC ASSUMPTIONS

Chairman **Domenici**. Thank you very much.

Dr. Penner, with reference to the notion that we ought to start a resolution with a consensus set of economic assumptions—which basically I think we arrived at accidentally with the so-called Gang of 17 which we then borrowed and took over here, to some people's satisfaction, and to the chagrin of others—how would we get around the argument that we ought to have economic assumptions independent from those of the administration?

I mean, if that is an agreement.

Dr. **Penner**. Yes. I think there are a number of ways of setting this up, and a whole range of degrees of emphasis that could be given to this set of assumptions.

I testified on Tuesday before the House Budget Committee on this, with Bob Reischauer of the Urban Institute. He felt quite strongly that the administration should have a completely independent set of assumptions and that it was the two Budget Committees that should get together and reach a common agreement.

That is one way to do it. I prefer having the administration play in the game initially. If they have strong objections to common assumptions emerging from the bargaining process, they could deemphasize them. As long as they printed them somewhere and calculated the effects of their own policy, given those assumptions.

For example, if they wish, they could choose to have a special analysis with the budget, much as they do now with the present policy analysis. They could say in the first part of the budget, "We think our policies will do wonderful things for the economy," and that would be all right, as long as they were encumbered to produce an alternate set.

The same with the Senate and House Budget Committees. If one or the other felt strongly that conditions had changed, or they didn't really like the compromise, they, too, could produce a second set. I don't see having a number of different assumptions as a real problem.

It is not essential to change these assumptions in my view with every wiggle in the economy. They don't have to be extremely accurate. The main thing is to get a common basis for judging policies. It is policies we are interested in, and their long-run effects, not their effects within the frame of a short business cycle.

So I think there is a great variety of different ways that it could be done, but I would favor an agreement, such as you say you stumbled on this year with the Gang of 17. From an outside point of view, I thought the agreement worked very well.

POTENTIAL FOR DESTROYING THE BUDGET PROCESS

Chairman **Domenici**. I will ask Norm the same question in a moment, but I think if I had to pick some single thing that has more potential for destroying the budget process, it is the subject we are talking about now. It is not all the things we have been worried about, who is fighting whom, and what committee doesn't like which committee's actions. I think it has to do with Congress voting a resolution, and then finding that 8 months later the deficit is much larger, and to the extent that is based upon economic assumptions being in error, that is very difficult for people to understand, and the conclusion frequently is we didn't do anything.

We went through all those hard votes and did all that stuff, and all they are measuring it against is the bottom line, not the policy changes that occurred.

So, frankly, if there is anything that I think we could do as a result of these hearings, and it would not require any change in our law, it would be to provide that some conclusion on better scorekeeping as the economic assumptions versus violations of the policies that were voted in, and we might be able to do that by some common accord.

You know, it is frequently assumed that under my leadership when we departed from accepting CBO's numbers all the time, that we were in some sense striking out on a path of our own.

Well, the truth of the matter is that it was no better than before in that the administration and theirs, CBO has from time to time been almost prohibited from talking with them because someone conceived that independence of the two required, that that never occurred. But the House never adopted either. They had their own economist for the first few years.

Dr. **Ornstein**. Nancy Teeters, who is now on the Federal Reserve.

Chairman **Domenici**. Now they use another person's, not CBO's, not ours, and not the administration's. This, without people knowing it, is really wreaking havoc with the process.

THREE- OR FOUR-YEAR EVALUATION

One other notion: We talked so much about the Appropriations Committee and the need to get more in sync and Norm suggests that we merge, but I would suggest that the staff run a 3- or 4-year evaluation to see wherein the overages in the budget deficit occurred, appropriated accounts versus economic assumptions that turned out wrong, versus the super bugaboo—that is, and the extent to which entitlements have exceeded the expectations plugged in the budget.

I think we will find that the latter two created the disparity in numbers in some incredible ratio of 4 or 5 to 1 over the appropriated accounts, making the targets or exceeding the numbers.

I don't know that, but maybe we can do that. I think we ought to do that and put it in the record as part of this hearing.

Because those are the kinds of things that might have nothing to do with the status of the current policy law and budget substantively, but have an awful lot to do with whether people are going to keep the process around.

Dr. **Penner**. I think that is a very important thing to do, Mr. Chairman, to make it out in just that way. It is just impossible for an outsider like me to do, as much as I would like to see it. Only you can really do it. It would be very instructive.

Chairman **Domenici**. Norm?

Dr. **Ornstein**. I endorse that strongly. When it comes to the assumptions themselves, there are two problems. One is, no matter how much good faith you observe in making your assumptions, they are going to be hit and miss at best. The public has difficulty in understanding that.

If you are off by 1 percent in your assumption of unemployment or inflation, it has an enormous impact on the budget figures and revenue projections, and deficits later on.

Then, of course, there is the second problem of nobody having entirely good faith in making estimates when political pressure is there to make things look better than they are.

CREATE COUNCIL ON ECONOMIC ASSUMPTIONS

If we end up having a constitutional amendment to balance the budget, and I fervently hope that we do not, and if we are serious about making it work, it would seem to me that particularly to deal with the latter problem and the overwhelming temptation to simply jiggle assumptions to make a budget seem to be in balance—and that is true, of course, of both the executive branch and of Congress—I would recommend creating some sort of council on economic assumptions which might have, say, the chairman of the Fed as the chairman, and have as members the Secretary of the Treasury, the chairman of the Council of Economic Advisors, the head of OMB, the chairman of the Senate and House Budget Committees, and the head of the CBO, and let them vote on assumptions, and let the President rely on those assumptions to come up with a budget that is balanced.

Chairman **Domenici**. And have a scorekeeping at a regular interval that would account for the disparity and the spending and the revenue to the extent that reality exceeded the assumptions.

You are asking people to vote on it. I am not endorsing the council. Nobody is misled, I don't think. The President's budget is a political document in terms of economic assumptions. Have we ever had a President who wanted to send a budget up and say, "I want you to know that these economic assumptions are the worst case scenario"? He didn't get elected for that, right? He is going to give you best case, I think.

Dr. **Ornstein**. That is right, and there will be political differences over assumptions. It makes sense to air them publicly before you begin.

ENTITLEMENT PROGRAMS NOT CONTROLLED BY IMPOUNDMENT

Chairman **Domenici**. I will yield to the Senator in a moment.

Let me say one other thing: You know, there is an awful lot of comment around about the Senate, that has to do with the impoundment process. Everybody looks at it and says, "Why don't you fix it this way, and that?" Some have some suggestions and others have others.

As a matter of fact, the part of the budget that goes out of control that impoundment has nothing to do with is entitlement programs, where there is no system around for a midcourse correction if the sum total of entitlements exceeds the expenditures estimated by any amount.

There is nothing around to do it, and it is one that far less thinking is being applied to. We have some people working on some notions, and it is difficult. We know the farm program is a significant entitlement. It is going to be far, far in excess of anybody's estimate.

We have that in all major entitlements, and there is not any adjustment made to meet a budget target.

We get the bad end of that, because we have to run the tape on it at some point, and then we get criticized if the budget is out of kilter. We can't do anything if medicare is going up if that is what the law is. You have to plug the numbers in eventually, unless there were some kind of control mechanism invested in somebody to bring it into kilter on a regular basis, bring it back to where it ought to be.

Senator Gorton?

Senator **Gorton**. Mr. Ornstein, you particularly caused me to reflect on the absence of institutional memory on the part of a newcomer. I found your discussion of the status of the Budget Committee to be a fascinating one. I didn't know that history.

I had found it an absolute paradox that this is what we call a class B committee to be picked after all the rest were done, given its status and its functions this time around.

I do want to press on on the related subjects that you have, which are theoretical and impractical at the present time.

I don't personally think that it harms the status or the impact or effect of this committee to have that status, and the "no proxy" rule, for example, has forced members to participate, whatever the category of their other committees.

AUTHORIZATION PROCESS ABSOLUTE JOKE

But an even greater anachronism, it seems to me—close to but not identical with your point about whether the appropriations and budget processes should be combined, has been the authorization process.

I find the authorization process to be an absolute joke on the two other committees on which I serve. It seems to me that we simply go through a process which has no meaning in reality whatsoever. I must say that I find myself often voting inconsistently in one of those committees with the way I know perfectly well I know I am going to vote here in this committee, simply because it is a game——

Chairman **Domenici**. What?

Senator **Gorton** [continuing]. Because it is a game, and because the numbers have no reality whatsoever.

From someone who worked as an academic on reform of the committee structure, would we not be better to turn that reality into form as well, and simply abandon the authorization process and allow the other major committees to deal purely with substance, as they do when the Energy Committee works on a reclamation act or a coal slurry pipeline act, and as the Commerce Committee does when it works on a communications act, and stop fooling around with an authorization process which seems to me to have no meaning at all.

Dr. **Ornstein**. You are right about that. That is the way it has worked in the last couple of years. Reconciliation, if it works, tends to make most authorizations meaningless.

If you have a budget process that sets targets and ceilings, then having authorizations separately doesn't really make a great deal of sense. There are a lot of ways in which you could, if you really—if you have a separate budget process, and an authorization process, and revenue raising process, there are lots of ways in which you could merge among those four functions——

Senator **Gorton**. It is at least one function too much, is it not?

Dr. **Ornstein**. That is what I would say.

Let me add a couple of comments on the Budget Committee itself, going back into history.

This committee has been an unusual one for the last 2 years, given its past history. It had strength from the beginning, but that strength was because of the personal force of Senator Muskie and his close working relationship with Senator Bellmon. They made a commitment to it and they were the Budget Committee.

If you were around for a time to see how other members treated it, it was difficult to get members to go on. It was largely a staff operation.

At times, when the committee failed on the floor, it was essentially Muskie versus Long, not any kind of serious consideration of the real issue of whether or not the Budget Committee should be getting into questions of revenue measures over a 3-year period.

That is not a good way to have a process work, because there is going to come a time when things are going to change, when a chairman leaves and somebody else comes in, and either you have a reasonably strong institutional position where the members of the institution give that committee some weight, or you don't. This situation that you have been under for the last couple of years is not going to last, and there will come a time if you leave the committee as it is when the naturally jealously guarded functions of the other 14 standing committees in this institution, which will always have more total members than the Budget Committee will, will begin to outweigh that. If this is still a throwaway committee for most people—if it is not one of their major, key assignments—then the functions of the committee and the process are going to be weakened over the long run.

OVERLAPPING MEMBERSHIP FAVORED

Senator **Gorton**. Let's say we adopt your proposal, impractical as it is, to combine the Budget and Appropriations Committees. I would say even in theory I would have some concern with it because it seems to me that our lines are to Appropriations and Finance and that they are equal in nature.

Do you feel an advantage to having Budget Committee members also serve on one of those two other committees or a disadvantage? When you talk about the status and the direction of this committee, of course we have a situation, at least for us, where one cannot be on both the Appropriations and Finance Committees. Should that same rule apply as far as the Budget Committee is concerned, or should the opposite apply, that there be a considerable overlapping membership?

Dr. **Ornstein**. Definitely the latter, and not the former. I think having overlapping membership makes it easier for the Appropriations Committee to live with the recommendations of the Budget Committee.

I would want to have an overlapping membership. It served the House Committee poorly to have rotation. It is bad to rotate one committee and not others. It helps to have members in Budget from The Appropriations and Ways and Means Committees.

I would not want to make a major committee rule that would bring Budget in, but would also make it an exclusive committee that would prohibit membership on Appropriations and Finance, and others, and I might want to kick around a notion to have a certain number of members who make a choice to serve on two of those three.

Senator **Gorton**. Mr. Chairman, it is 12 o'clock.

Chairman **Domenici**. We are going to go a few more minutes.

Dr. Penner.

Dr. **Penner**. I don't disagree with anything you said, sir, about the authorizations and appropriations. But I do think it to some extent loses sight of the really big picture.

The really strange thing about how we have done our business in this country for a large number of years was that we made our revenue and our outlay decisions quite separately, both in the executive branch with OMB being separate from Treasury, and in the Congress.

If we had kept things as they were in the 19th century when the Ways and Means Committee was really a ways and means committee, combining those functions, there would never have been any need for this budget process. I think it would have been a super kind of revenue-raising Budget Committee, spending committee. I have not read that history very carefully, but I gather the decision to separate the functions was done very casually simply because there were so many decisions that had to be made by that committee.

BURDEN ON MEMBERS OVERWHELMING

Senator GORTON. But let me follow up on that. I went, in reality, through that process in the State of Washington. We had two separate committees when I started in the legislature, appropriations and ways and means. We combined them for exactly that reason, and at least in the legislature, which met only part time, there was that difference.

The system collapsed from the moment that we tried it, because the burden on the members was so overwhelming.

Dr. PENNER. And that is the real, practical problem, indeed. To change the subject radically, I think the most persuasive argument made on behalf of the President's new federalism philosophy is that now the Congress of the United States, having to be specialists in all of these categorical grants along with nuclear disarmament and all sorts of other things, can't really handle the process in a logical fashion. The notion of pushing more and more decisions to lower levels of government has a great appeal to me for that very reason.

Frankly, the real, logical flaw in the budget process, and there is no way of correcting this, is that as a purely intellectual matter it doesn't make a lot of sense to try to set an aggregate without knowing a great deal about the value of every little program, and yet because of the need to specialize, you have to operate just that way. It doesn't matter how you carve it up or how you make people specialize, there will be anomalies in the results simply because everybody can't be expert enough to be able to trade off every program against every other, which would be the ideal system in a world in which time was costless.

TWO OR THREE SUPER COMMITTEES ARE ENOUGH

Chairman DOMENICI. While I might agree, while the authorization versus appropriation versus the budget process has evolved much as you describe it to this point, it would seem to me that to ignore the fact that you have 100 Members in the Senate and vastly more in the House, that you don't want to have more than two or three supercommittees.

I think it is precisely what you described a while ago, it is just something that is absolutely impossible.

But conversely, I am not so sure it would be all that good. I think what has happened is that this process, the budget process, has focused attention on appropriations, entitlements, and taxes, which basically are within the jurisdiction of the Appropriations and the Finance Committees, and other than that one big omnibus reconciliation act, it has not focused attention on the role of an authorizing committee in this overall big picture.

Now, in the scheme of things, one could try to invent a way to make that relevant legislatively, reorganizationally, or the like, but basically that might evolve, because to the extent that authorizing committees on matters such as major programs that ultimately cost money, to the extent that they were to find out that their prerogatives are being tremendously watered down by not being enough involved in the dollar amounts within their jurisdiction for their programs, if they soon find out that they had in mind, for instance, in a function like education, where there is $5 billion or less to spend, and they had hoped that grants would be 60 percent of it and student loans 40, and it turns out that one is an entitlement and one is not, and you reverse it, and pretty soon it is 60 percent loans and 40 percent grants.

Eventually, if we hold the line, and if the appropriators and the budget process leave the function intact but the squeeze occurs internally, it would seem someone would wake up and say, "Well, we had better respond authorizationwide and establish a different set of priorities, or we are out of this ball game."

Now, I think that is occurring, and that is only a minor one. It is occurring in all ways, where you have open-ended authorizations, set no limits, and then you wonder why the appropriators have taken on 1 as a pet and funded it at the maximum and left the 14 others out with nothing.

So, either they become meaningful in the sense of not just passing the programmatic law, but looking at the sum of money available, and they do prioritizing, which would assume the appropriators would do less legislating, I assume. They do plenty now. There are 30 or 40 law changes in every appropriations bill, as we know, because authorizers don't change the law, so they change it themselves.

We find one every now and then and make a big scene on it, and have a rollcall vote on whether they can do it or not. But there are far more than those we pick up on the floor and have battles over.

AUTHORIZATION COMMITTEES COULD BE CHOSEN

So I think it could come about as a result of the squeeze that occurs. If it doesn't, it seems to me that the losers in the process are the authorization committees.

Let me cite a contrary example, the Armed Services Committee. For the last 3 years, at least, first under Stennis and 2 years under Tower, they decided that they would take the budget mark and craft an authorization bill to establish their priorities, and in 2 years they were within the number.

This is the only year in which the authorization bill has exceeded it. They would shift that over to the appropriators, and they quite appropriately, as they gained their stature back, would say, "That is what you are supposed to fund, because that is what we are for. We are here to study the military needs and make the choices and put it in the appropriations bill."

Now, if that evolved for them, that could happen for others. It is not up to us to tell anybody how to do business. That is not our job. Obviously it is evolving in some areas.

Norm, I don't think your concern over what you call the committee, major or minor, makes much difference any more.

The rules in the Senate on the Republican side have now been changed to—which governed in any event, our own internal rules—where they are much like the Democratic side, and I think there is no way short of overhauling the whole system that you will get to the goal you seek in your recommendation, which is less major committee work, thus paying more attention, having more time. You are not going to get there by merely changing the status of the Budget Committee. You have to undo the whole process.

At this point, no one wanted to be on this committee before, but I think my friend from Washington has suggested that next year there wouldn't be any vacancies on this committee. I think that is probably true. He got on. He wasn't so sure he wanted it. Now, after I talked him into it for the good of our country, he won't get off. [Laughter.]

In fact, he chaired the committee today.

Dr. **Ornstein**. Well, I disagree with you on that. I certainly want less major committee work and I certainly wish the committee had held to our recommendations and to the rules.

There have been violations all over the place. It does not upset people out there who don't know about it, or who do. It upsets the hell out of me. There are a fifth of the members who violate the assignment rules, and that does bad things for the system. That is one of the reasons most of the committee members are not here today.

Chairman **Domenici**. That is not really why they are not here.

Dr. **Ornstein**. They have other commitments.

Chairman **Domenici**. But I would doubt if they have conflicting committee assignments this particular day.

MAKE BUDGET COMMITTEE A MAJOR COMMITTEE

Senator **Gorton**. I have four now.

Dr. **Ornstein**. I looked at a list in the Washington Post, and knowing who was on what committees, and I could probably point out to you where other members of the committee are. They are in other hearings or meetings.

The larger role of the Budget Committee—very few would leave it now given its power. That is an anomaly. Some time in the future, you are going to move away from the position where you are the dominant committee in the institution and back to what role the committee played in its first several years.

At that point, it would be impossible to change this to a major committee, as you discovered before.

That happened in 1978, after the 1978 election. Both parties went out there and said, "Who wants to serve on the Budget Committee as one of two committees?" and nobody said yes. That was instead of doing what the leadership should have, which was to say, "I am sorry, those are the only vacancies," and make it a major committee.

Chairman **Domenici**. I would never have been chairman if they had done that. That would have been terrible.

Dr. **Ornstein**. That was fortunate for the process, but now you are, and this is a time you could make it a major committee and make it stick.

Once people get on under those circumstances, they would be likely to stay, and in the process of doing so, the committee would be able to become strong enough so that it could stay strong during the periods that inevitably come.

Chairman Domenici. Thank you both very much.

[Whereupon, at 12:12 p.m., the committee adjourned, to reconvene subject to the call of the Chair.]

PROPOSED IMPROVEMENTS IN THE CONGRESSIONAL BUDGET ACT OF 1974

TUESDAY, SEPTEMBER 21, 1982

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The committee met, at 10:14 a.m., in room 6202, Dirksen Senate Office Building, Hon. Pete V. Domenici (chairman) presiding.

Present: Senators Domenici, Quayle, and Gorton.

Staff present: Robert Fulton, chief counsel; Nell Payne, staff attorney; and Lizabeth Tankersley, minority staff director.

Chairman DOMENICI. The hearing will please come to order.

OPENING STATEMENT OF CHAIRMAN DOMENICI

I apologize for being late. As our first witness on the third day of these hearings on possible revisions to the Budget Act, we are pleased to welcome Dr. Alice Rivlin, Director of the Congressional Budget Office. I understand from her recent announcement that she will soon be leaving that position, and it is possible that this would be her last appearance before this committee. So it is fitting that she is here today to discuss with this committee her views on the process in which she and her office have played a great part.

On behalf of the committee, I would like to convey to you our great appreciation for your work at the CBO and, obviously publicly extend to you my best wishes for your future endeavors. We will have an opportunity to do more of that, I am sure, but I am pleased to do that today.

Mr. David Stockman was to appear before our committee today but is unable to do so. He has submitted a prepared statement that he would like inserted in the record.[1] Without objection I will do that now.

Dr. Rivlin would you proceed, please?

STATEMENT OF ALICE M. RIVLIN, DIRECTOR, CONGRESSIONAL BUDGET OFFICE

Dr. RIVLIN. Thank you very much, Mr. Chairman.

Let me submit the full statement for the record and summarize it as briefly as I can to bring out the main points.[2]

I believe that the budget process has proved itself under extraordinarily difficult circumstances to be both a strong process and a flexible process. I know that there are those who say that the preoccupation of the Congress with budgetary matters and the delays in getting everything done show some weakness in the procedure. Actually, I think that they reflect the seriousness of the problem.

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[1] See p. 327.
[2] See p. 119.

This year was a striking case in point. As you will remember, as we started into this budget year we were all projecting deficits rising very rapidly if the Congress did not take action. The Congress has taken action, both on the spending side and on the tax side. We regard this as a significant achievement of the budget process under very difficult circumstances and in an election year. The Congress has acted to pass a budget resolution that arrests the growth in those future deficits and has taken much of the legislative action to put that resolution into force.

PROGRESS UNDER THE CURRENT BUDGET ACT

As we have all worked with the budget process over the last 7 years, I think there have been a number of lessons that have emerged. The original concept of the Budget Act was a multistep process in which the Congress, first, set targets at the beginning; next, went through the individual spending and taxing legislation; and then made the final and apparently, if one reads the original draft of the act, the most important decisions at the end in September. I think we have all learned that that procedure is not workable; that important decisions must be made early in the year if there is to be time to implement them; and that the first resolution has emerged as the most important decisionmaking vehicle.

Similarly, reconciliation, which was originally thought to be part of this end process in the second resolution, has been moved into the first resolution because if you do not do it then, you cannot do it.

Again, it has become apparent, as we have all worked with the Budget Act, that if you just control spending and do not include credit, you are in trouble. The credit activities of the Federal Government, many of them off budget, have enormous impacts on the economy and have to be considered together with the spending items.

And, finally, we have all learned that you cannot deal with the budget of the U.S. Government 1 year at a time. If you are going to make major changes in the priorities of the Government and in the size of the Government, it has to be done on a multiyear basis. I think we all knew that 7 years ago, but it has become more and more evident as the process has proceeded.

PROVEN CHANGES

These lessons have led to changes in the way the budget process actually operates, and it seems to me that these changes should be continued and built upon, whether or not you elect to change the law. It would be possible to put them into the law, but it is probably not necessary to do that. One can argue that either way.

Whether or not you change the law, it seems to me that what you ought to have is a binding first resolution which is amendable at any time during the year if that proves to be necessary because of significant change in the economic outlook or for some other reason. That resolution ought to be a multiyear resolution, and the multiyear numbers, not just the first-year numbers, should be binding. Indeed, if that is done, and if the numbers are taken very seriously for all 3 years, if 3 is the desired number, the second year of the budget resolution could become the starting point—the baseline—for considering the budget in the next budget year.

Reconciliation, I believe, is a very useful tool and should be kept in connection with the first resolution, although the committees should probably be given more time to respond to reconciliation instructions. That might be done by giving them 60 days or by having some date before the beginning of the fiscal year by which committees would have to respond—say, September 1 or September 15. That would be even easier if you moved the fiscal year to the calendar year.

Credit should stay in the resolution, and the credit total should be binding. Credit should probably be included in reconciliation instructions. And if one were to make major changes, I think that putting everything on budget, but especially the activities of the Federal Financing Bank, would be a major positive move. I say the activities of the Federal Financing Bank, not the bank itself, because I think the best way to do that is to bring the borrowing of particular agencies from the bank onto the budget and allocate it to those agencies, not to the bank itself.

ADDITIONAL APPROACHES TO STRENGTHENING THE PROCESS

All of that would strengthen the budget process along the lines that have already evolved in use. I think that several problems will remain, however, and that a number of the procedures should be considered for inclusion in the budget process.

APPROPRIATIONS

One problem is how to get appropriations finished sooner. There are various ways of doing that. One is delayed enrollment; a second is an omnibus appropriation bill, which it seems to me is a reasonably good idea; another is an automatic and permanent continuing resolution, which would continue all programs at the previous level or at something lower than the previous level, if appropriations were not enacted on time.

Chairman DOMENICI. That would start looking like an entitlement though; would it not?

Dr. RIVLIN. It might. You might want to ratch such a resolution down to, say, 90 percent of the previous appropriation levels if nothing is enacted. What you want is not an entitlement but an enforcing mechanism to make the Appropriations Committees and the rest of the Congress act on the appropriations bills.

As to making sure that the appropriations are consistent with the resolution at a level lower than the overall totals, it would seem possible to make the committee allocations binding. That is probably an easier way of doing it than making the functional totals binding.

TAX EXPENDITURES

Another problem that would remain is how to get more serious focus in the budget process on tax expenditures. The special provisions of the Tax Code that aid individuals and businesses are often very costly, and they serve many of the same purposes as direct spending. At the moment, the Budget Act does not give the Congress the same kind of control over tax expenditures as it does over direct expenditures.

One possibility is a ceiling on total tax expenditures. That involves some measurement problems, as previous witnesses have noted. They are not insuperable, however.

More important, I think, is to find a way of getting consideration of the tax and spending tradeoffs within functional totals, so that when you are looking at alternative ways of aiding housing or medical care or State and local governments or whatever, you can consider the spending and taxing alternatives at the same time. A way of doing that might well be to give joint jurisdiction to taxing committees and spending committees in certain areas.

BIENNIAL BUDGETING

And finally, no matter what you do, you have the horrendous problem of how to cut the budgetary workload down to a manageable size. Congress makes too many decisions, and it makes them too often. You cannot get everything done in the time allotted, no matter what you do. I am not sure there is a solution to this problem, but one that I think is well worth considering is moving to a biennial budget with the object of cutting the budgetary decision load approximately in half and making better decisions in the process.

The first session of a Congress could be devoted to budget and appropriations, and the second to oversight and authorization. There are various alternatives being discussed by the Congress at the moment; and one of them has been offered by Senator Quayle. I am not sure which is the best one, but a serious look at a biennial budget seems to me to be in order.

There would be problems in forecasting as far as 2 years ahead. There are problems in forecasting 1 year ahead. But I think that those problems might not be so serious compared with the benefit of having to make these basic decisions half as often.

In conclusion, Mr. Chairman, let me just reiterate. I think that this committee has done a magnificent job in keeping the budget process on track. I think that it is a strong process and that it needs now to be strengthened further, but along the lines that have been proved by the experience of working with the process.

Thank you.

Chairman DOMENICI. Thank you very much.

Statement of

Alice M. Rivlin

Director

Congressional Budget Office

before the

Committee on the Budget

United States Senate

September 21, 1982

Mr. Chairman, I am pleased to appear before this Committee to discuss possible ways of strengthening the Congressional budget process. My statement this morning will briefly review the progress already made in the budget process and will then offer several recommended changes in the procedures established by the Congressional Budget and Impoundment Control Act of 1974.

Big deficits and delays in adopting resolutions and passing appropriations have been cited as evidence that the budget process is failing and needs major overhaul. I do not share this view. The process has proved itself enormously resilient and adaptable in the face of extraordinary strains. It needs further strengthening but not basic change. The symptoms that cause concern about the process are much more the result of the basic underlying budget problems--an underfinanced budget and a rapid shift in budget priorities--than of procedural inadequacies.

At the beginning of this year's budget deliberations, the Congress faced the prospect of high and rising deficits over the next three years even assuming a moderate economic recovery. Under the discipline of the budget resolution, the Congress has recently enacted two major measures designed to reduce these deficits. The Tax Equity and Fiscal Responsibility Act raised revenues by nearly $100 billion and cut spending by $17 billion in fiscal years 1983-1985. The Omnibus Budget Reconciliation Act of 1982 reduced outlays by an additional $13 billion over the same period. These actions, and the additional spending reductions assumed in the budget resolution, have made a substantial down payment on correcting the unfortunate budget outlook projected in the baseline budget prepared earlier this year.

Nonetheless, the Congress will enter the fiscal year 1984 planning cycle with a very difficult assignment: to reduce the still excessive deficits over the next few years while maintaining economic recovery. This will require tackling all components of the budget, including national defense, income security, federal credit activities, and taxes. It will also require a strengthening of private-sector confidence in the economy and in the government. Only with a strong budget process--one that gives high priority to meeting aggregate goals, forces hard choices, and discourages cosmetic changes--can such confidence be built.

PROGRESS UNDER THE CURRENT BUDGET ACT

The Congressional Budget Act of 1974 was intended to increase Congressional control over the federal budget and to establish an orderly schedule of budget actions. The Budget Act originally established an annual multistep budget process. The Congress would set tentative budget totals in a first resolution in May (by which time all authorizing legislation was to have been reported out of committee); second, it would do all the detailed work on specific appropriations and tax laws; and third, it would make binding decisions on budget totals in a second budget resolution to be passed in September just before the fiscal year began. Final adjustment was to be made through a process of reconciliation--that is, reconciling the detailed changes just passed with the spending and revenue totals in the second resolution.

Experience with the budget process has revealed that the hard decisions to cut spending or raise taxes must be made early in the year, not left to September when the budget year is about to begin. Hence, the first resolution has become increasingly important and the second increasingly a formality. This year's first concurrent resolution recognizes this development by explicitly stating that the first concurrent resolution will become binding if a second concurrent resolution has not been adopted by the beginning of the new fiscal year.

A related development has been the use of reconciliation instructions in the first, rather than the second, budget resolution for the past three years. Before the spring of 1980, the Congressional budget process had little impact on entitlement spending. Each year's budget resolutions included assumed legislative savings to be accomplished by amendments to entitlement program authorizations, but these legislative savings were rarely enacted. The first concurrent resolutions for 1981 and 1982 included reconciliation instructions directing committees to report amendments to mandatory spending programs. The fiscal year 1982 reconciliation instructions extended the scope of reconciliation by requiring multiyear spending reductions. The reconciliation instructions for fiscal year 1983 continued to address mandatory spending and were extended to set revenue goals for the tax committees, again using multiyear targets.

The budget process has also been expanded to cover direct and guaranteed lending, an area of federal activity not originally specified in the provisions of the Budget Act. Federal credit activity rapidly expanded during the first five years of the Congressional budget process. While efforts were focused on holding down on-budget spending, off-budget credit and loan guarantee activity rose sharply. In response, the Congress began to seek ways to control federal credit through the budget process. The budget resolutions for fiscal years 1981 and 1982 set targets for total direct and guaranteed loans and allocated those targets among the budget functions. The first resolution for fiscal year 1983 went further, requiring new credit authorizations to be subject to appropriations limitations and the credit budget to be allocated among committees of jurisdiction; the targets will become ceilings upon enactment of the second budget resolution. These extensions of the budget process into the credit area give promise of better control over the total impact of the government on the economy.

Another important change is the growing acceptance of the multiyear nature of budget decisions. The budget resolution (including the reconciliation sections) now includes spending and revenue targets for the upcoming budget year and for two years beyond. This change recognizes several facts.

First, most of the outlays in the upcoming year are locked in so that substantial changes in priorities can only be accomplished over a longer period. Second, abrupt changes in the tax code or in entitlement programs, in particular, are disruptive. A multiyear approach allows for phasing in changes. Moreover, focus on the upcoming budget year alone is an open invitation to creative accounting and fund-shifting. Multiyear targeting is particularly important when it is deficits in the outyears that are most troubling from an economic perspective--as in our current outlook.

The changes that have been implemented under the Budget Act underscore its flexibility. In response to serious economic and budgetary problems, the Congress has been able to modify its procedures. These changes have strengthened the budget process and have permitted the Congress to begin to address the serious problem of reducing the deficit.

PROVEN CHANGES

To strengthen the process further, the Congress should continue the procedures that have already proved effective and expand upon them. The first resolution should be binding, multiyear goals should be incorporated in the resolution, reconciliation should be made a part of the first resolution, and the resolution should be formally expanded to cover credit. These procedures are possible regardless of whether the Budget Act is actually revised.

Making the first concurrent resolution binding would force all participants to deal seriously with hard budget choices at an early point in the budget cycle, thereby giving subsequent committee actions firm guidance. Furthermore, a binding first resolution would eliminate the need for a second resolution, which could save considerable time and work. Amendments to the resolution would be possible at any time, but should be necessary only if economic conditions change significantly.

The current practice of including outyear numbers in the resolution should be strengthened by making those numbers binding. Making outyear numbers in the resolution subject to a point of order would be taking a step toward controlling the long-term growth of the budget. In addition, a fully considered multiyear plan would enable the Congress to use the outyear estimates provided in the resolution as a base for planning the next year's budget. The Congressional Budget Office (CBO) could develop its baseline estimates using the second year's estimates from the previous year's resolution. Changes resulting from legislative action could be distinguished from shifts in the economy to highlight the Congress's progress toward its targets.

Reconciliation should continue to be part of the first resolution, but possibly modified to allow more time between approval of the reconcilation instructions and reporting of the bills. To allow adequate deliberation on proposed changes, either a fixed time, such as 60 days after enactment, or a fixed date before the beginning of the fiscal year, such as September 15, might be appropriate.

Similarly, the expansion of the resolution to cover federal lending and loan guarantees--the credit budget--should be continued. The Appropriations Committees should be encouraged to set limits on credit program levels and to consider potential trade-offs between credit and direct spending. Reconciliation instructions might also be extended to cover non-appropriated credit programs. The off-budget status of some federal credit activities should be revised. Specifically, the budget authority and outlays for the lending activity of the off-budget Federal Financing Bank should be included in the unified budget in the accounts of the agencies originating the loans.

ADDITIONAL APPROACHES TO STRENGTHENING THE PROCESS

A number of other budget procedures should be considered for inclusion in the budget process. First, some action is needed to ensure that appropriations bills are enacted on a timely basis and are within the limits established in the resolution. Second, tax expenditures ought to be included within the coverage of the budget process. Finally, the Congress should seriously consider shifting to a biennial budget as a means of solving its time and workload problems. The Congress could use the flexibility in the Budget Act to test these procedures.

Appropriations

Over the past few years, the Congress has increasingly relied upon continuing resolutions to fund appropriated activities. Delays in the enactment of appropriations bills have been due to a number of factors: policy differences between the House and the Senate, political differences between the Congress and the President, appropriations riders (for example, abortion and school busing amendments) and the budget process itself.

A related issued facing the appropriations process has been the problem of determining whether each bill was under or over the assumptions of the budget resolution. Under the Budget Act, only the aggregates are subject to a point of order. The resolution makes an allocation among functions--between, say, guns and butter. The distribution of the aggregates among the committees of legislative jurisdiction--the spending committees--is not voted upon, but is specified in the accompanying report. Each spending committee then divides its allocation among subcommittees or major programs. The allocations of each Appropriations Committee to its subcommittees, and the subsequent reported appropriations bills, may deviate from the functional totals included in the resolution, thereby changing the resolution's priorities to those of the committee.

Various possible changes in the appropriations process might ensure timely enactment and compliance with the resolution.

Omnibus Appropriation. A single omnibus appropriation bill could be used. Any conflicts with the budget resolution could be resolved during consideration of the bill. A possible shortcoming of this approach is that if the President were presented an omnibus bill with which he disagreed, his options would all be distasteful.

Delayed Enrollment. A second option would be to retain the current process of considering individual bills and delaying the enrollment of those bills that exceed either the committee allocation or the functional allocation. Bills that had been held up because they exceeded the resolution or had not passed both Houses by, say, September 15, could be combined into a single omnibus bill. This bill would then be offered to the Congress to allow it to make the changes needed to conform appropriations action with the resolution.

Automatic Continuing Resolution. A third alternative would be to enact a permanent, automatic continuing resolution to assure continuing funding of federal programs. This measure would automatically extend all appropriations bills pending at the end of the fiscal year at the previous year's level or some portion thereof, such as 90 percent. This would eliminate the end-of-year brinkmanship to approve a stop-gap funding bill, a practice that appears to the public as a failure of governance.

Binding Spending Committee Allocations. Finally, the allocations made by the Appropriations Committees under section 302b of the Budget Act could be made binding. In order to ensure that the functional priorities of the budget resolution were not disregarded, it might be necessary to require that the allocations be voted upon.

Tax Expenditures

The coverage of the budget process should also be expanded to cover tax expenditures. Tax expenditures are special provisions of the tax code designed to encourage some desired activity or to provide aid to certain categories of taxpayers. They are therefore similar to spending and lending programs, and have become one of the major ways by which the federal government allocates resources and affects private decisions.

Nevertheless, the budget process does not control tax expenditures in the same way it controls direct spending. Although the CBO and committees of the Congress prepare estimates of the revenue losses that result from changes in the tax code, budget resolutions do not include ceilings on the total of tax expenditures. Nor are tax expenditures broken down into function-by-function targets and then crosswalked to committees of jurisdiction. One consequence of this lack of control is rapid growth. From fiscal years 1974 to 1981, tax expenditures grew by 179 percent, compared with a growth rate of 145 percent for direct spending (outlays). In 1974, there were 71 tax expenditures, while the fiscal year 1983 budget includes 104 items, with a revenue loss exceeding $273.1 billion.

A tax incentive can be an efficient method of allocating resources. There is concern, however, that because of their separation from the budget process, tax expenditures have been used too often. The result may be to narrow the tax base so that it is unable to perform its major function of raising revenues. The large number of tax expenditures has resulted in a system that many believe is inequitable and overly complex. Finally, a strong case can be made that a number of the tax expenditures create serious economic distortions.

One approach to increasing budgetary control of tax expenditures would be to include a ceiling on tax expenditures in the aggregates section of the budget resolutions. Any ceiling involves measurement problems, but these can be minimized if controls are focused primarily on incremental changes in the total.

Setting an overall ceiling would enable the Congress to reduce the drain of tax expenditures on the revenue base. A further step would be to incorporate tax expenditures into the function-by-function review currently performed on spending programs. In most budget functions, there are tax expenditures that have purposes similar to spending programs; in fact, tax expenditures actually exceed outlays in the commerce and housing credit and in the general purpose fiscal assistance functions. Part of the coming effort to narrow the budget gap should include a thorough review of this overlap among spending programs and tax expenditures, with an eye to which approaches are most effective or least costly. This could perhaps be best done by allocating tax expenditures jointly to the tax committees and to spending committees with pertinent jurisdictions. A committee's actions on tax expenditures could be credited to its spending allocations, thereby encouraging trade-offs between the two.

The Congress made a start at tax expenditure reform this summer when it passed the Tax Equity and Fiscal Responsiblity Act. This legislation contained 13 provisions that reduced tax expenditures and only 2 that increased them, resulting in a net revenue gain of $31 billion over the fiscal year 1983-1985 period.

Biennial Budgeting

Shifting to a binding first resolution and use of an omnibus appropriation would help reduce the current overload of the budget process on the legislative calendar. A more drastic change would be to adopt a biennial budget process extending the budget to two years and reducing the steps in the budget process by one-half. This would also reduce the legislative burden, encourage oversight, and enhance the quality of deliberation.

The first session of each term could be used for the enactment of major budgetary decisions: a binding resolution, a reconciliation bill, and tax and appropriations actions. (Adjustments would be considered in the second session only if the economy changed or other unexpected events occurred.) The second session would be devoted to oversight and consideration of authorizations. Additional emphasis on oversight is needed to allow review of major national policy issues such as financing Social Security and national defense, restructuring energy policy, and reconsidering the federal system. Appropriations and authorizations would be enacted for at least a two-year period, greatly reducing the layers of consideration now required of the Congress.

CONCLUSION

In short, Mr. Chairman, the budget process has proved to be very resilient and adaptable to change. What is needed now is continued wise use of this flexibility to bring the budget back into control.

ECONOMIC ASSUMPTIONS

Chairman **Domenici**. I did not get a chance to read your entire statement but I commend you for the points you have made. I would only suggest that you might have touched too lightly on the issue of economic assumptions in that you touched them in passing, in speaking on a 2-year cycle. So let me just ask you a couple of questions about the economic assumptions and then yield to the Senators that are here.

Currently, we end up with three or four sets of economic assumptions—the President's, the House Committee's, the Senate Committee's, the CBO. To repeat what I said last time, many assumed that CBO's assumptions have been utilized throughout the process, and historically that is not true. The House always did their own; used their own economist and made their own. We used yours most of the time. Sometimes we developed our own, sometimes we used the White House's. It has been recommended that maybe there would be some procedure for the National Government arriving at the same set of economic assumptions, if for no other reason than to add some semblance of continuity to what has happened rather than have people confused as to whether they overspent or whether the assumptions changed the budget.

Could you give us your views on that approach?

Dr. **Rivlin**. First, I think it has been very confusing to everybody to have multiple sets of assumptions. The easiest way to cut back from multiple sets to two would be for the whole Congress to use the CBO's assumptions, which we, have suggested before.

Chairman **Domenici**. Then we can have the President do that, too.

COMMON SET OF ASSUMPTIONS WOULD AID BUDGET PROCESS

Dr. **Rivlin**. That is fine. He is welcome.

There is, however, a serious problem of what you do about a basic fact—namely, that any administration, Republican or Democrat, is going to have to be optimistic about the outcomes of its programs and is going to be very tempted to choose the optimistic end of the range of uncertainty, and there is always a large range of uncertainty. The Congress does not have to do that and the CBO has generally been somewhat less optimistic than any administration. We have taken what we viewed as the midpoint of the range of uncertainty. I think the Congress, to be prudent, should take either the midpoint or perhaps a point even toward the pessimistic end of the range to allow for things not going as well as might have been hoped. A prudent budgeter would do that

It would be extremely useful if both the administration's budget and the various congressional resolutions and actions could all come off of the same basic set of assumptions, but that would involve a choice of the assumptions to be used or some mechanism for getting a common set. I do not think that a compromise in the sense of a negotiation between the CBO and the OMB would be very useful. It would end up with a good deal of gaming, and a compromise between a nonpartisan set of assumptions and a partisan set of assumptions is still a partisan set of assumptions.

As you know, we had some discussion with OMB last fall about whether it would be a good idea to arrive at a common set of assumptions and whether it would be feasible. Mr. Stockman and I both thought it would be a good idea, but it was not feasible. You and Senator Hollings had strong views about our even discussing this subject; you thought it was something that I probably should not have even been involved in meeting about. I still think that it is worth talking about; that the budget process would be greatly aided if there were some common baseline to start from. Then those whose economic views differed could still say so, but at least we would all be working off the same basic set of numbers.

SAME ECONOMIC ASSUMPTIONS MAY BE USED

Chairman Domenici. Well, I would just follow up with one additional question.

It does seem to me that it would be optimum if we could all have the same numbers after debate and discussion, but it does seem to me that in speaking of the Budget Act that maybe a process ought to evolve wherein at least the U.S. House and the U.S. Senate, for purposes of their resolution, used the same ones.

Dr. Rivlin. I would be for that.

Chairman Domenici. You know we have gone through some conferences, and very few people understood the finished product because we had different economic assumptions at the start and, therefore, the numbers are dramatically different, not by way of programs but by way of the effect of the assumptions.

I do not know that that would be too difficult to implement. It might just be a procedure wherein there would be an up-front meeting, in which the two Budget Committees or whomever would arrive at them and they would then be put in the resolution and everything extracted from that.

Do you see a procedure as something that would evolve or could evolve, or would we have to change the law?

Dr. Rivlin. No. You would not have to change the law. That is easy. You can use any economic assumptions you want to and you can agree to use the same ones.

Chairman Domenici. Senator Gorton?

Senator Gorton. Before I ask any questions, Ms Rivlin, I should like to thank you for the education I have received, partly at your hands, during the course of the last 2 years and to express my regret that you have decided to make a career change come January. I have greatly appreciated what you and your office have done for us and for me during this period of time, and I can say that I am going to miss you.

Dr. Rivlin. Thank you very much.

SINGLE BUDGET RESOLUTION MOST FUNDAMENTAL

Senator Gorton. Of the suggestions which you have made, would it be accurate to say that the first and most fundamental of them, the one on which there is the greatest degree of unanimity, is that we should do in theory and in law what we have done in fact this year and go to a single budget resolution rather than a two-budget resolution process with some kind of enforcement, whether it is reconciliation or otherwise, at the beginning of the first budget resolution?

Dr. RIVLIN. I think so. I think that has been generally agreed to or been the experience.

Senator GORTON. I think that probably it is practically unanimously agreed to. It is so obviously important that we may have distorted the laws this year in order to reach what was obviously a necessary conclusion.

Chairman DOMENICI. Senator, would you yield?

Would you not consider adding to that as the most paramount and obvious recommendation that, to the extent possible, it be multiyear in nature and that reconciliation maintain its multiyear dimensions?

SERIOUS RESERVATIONS ABOUT 2-YEAR BUDGET CYCLE

Senator GORTON. Yes, I would, and I would assume Dr. Rivlin would agree with that proposition.

Dr. RIVLIN. And I would agree with that, too.

Senator GORTON. I make that initial comment because, with all respect to my colleague, Senator Quayle, I have serious reservations about a 2-year budget cycle. I started in a State legislature, State house of representatives in 1959, and went through five terms. We had, during that entire period of time, a biennial budget. Every progressive, every academic, everyone dissatisfied with the system, said that the fundamental flaw with the system was that we could not appropriately do a 2-year budget. We did not know enough. We were guessing wildly about what would happen in the second year as much as we were about the first year, and the grass was much greener if we dealt with an annual budget.

I must say I had some reservations about that as a solution.

But I ask you, if we in fact had worked in that fashion during the course of this Congress, where would we be? We would have passed a first budget resolution sometime in May or June of 1981. Lord knows the assumptions that we are working under right now are bad enough, but could you cast back and tell us where we would be right now if we had accepted as our pattern for these 2 years the first budget resolution assumptions in 1981? My memory shows me, did we not show about a $40 or $50 million deficit, something of that sort? Would we not be so badly off that we would have been in the process of amending that budget resolution.

TWO-YEAR APPROPRIATIONS IMPORTANT

Dr. RIVLIN. Probably so, and I think there would have been times you would have to amend it. However, you would have had 2-year appropriations which, for most purposes, could have been left in place. You would have had to reconsider the tax side, and you probably would have had to make additional changes on the spending side as well. But you would have gotten most of the routine things out of the way for 2 years so that you could concentrate more energy with less difficulty on changes in the major pieces when it became evident.

There is also the hope that, if you were budgeting for 2 years, you would have taken a more serious look at the economic assumptions so that the over optimism of the first year might not have happened. I am not sure that is right.

Senator **Gorton**. That is the trouble with hope over experience.

Dr. **Rivlin**. Yes, possibly so. But, in any case, you are quite right that there is no way that you could prohibit change in response to changed economic conditions. And we have had changed economic conditions. We have had much slower growth in the economy than anybody predicted 2 years ago.

Senator **Gorton**. But you are using the very imprecise term "you". Who would have had less time under the present set of circumstances or more? Maybe the Appropriations Committee would have spent a little less time on direct appropriations. Perhaps that is dubious.

This committee would not have spent any less time under those circumstances nor would we have had any less time on the floor of the Senate with budget resolution if we had to amend them.

Dr. **Rivlin**. Not with the budget. I really think the important thing is the 2-year appropriations. I think you do not have to go through the appropriations process for most of the regular ongoing activities of the U.S. Government every year. But in times of economic change, you are quite right, there is no easy way to be on a Budget Committee, and it probably would not have saved Budget Committee time, much.

Senator **Gorton**. I will defer to Senator Quayle. I rather suspect that he wants to followup on the same subject.

Senator **Quayle**. First of all, I would like to agree with Senator Gorton and express my appreciation for all the help, cooperation, and education of myself and others you have provided as Director of CBO.

Dr. **Rivlin**. Thank you.

SECOND BUDGET RESOLUTION WORTHLESS

Senator **Quayle**. You will be missed. And that is about all I can agree about with Senator Gorton. Ye of little faith, the grass is greener on the other side.

But let us see, I have been here 6 years now. I was elected to Congress in 1976. You are now saying that if we have a single budget resolution it would be a positive step forward. That is the way it has always been. We have always had a second budget resolution, but the second budget resolution is about as worthless as the paper it is written on. It has never meant anything. This year, we included it in the first budget resolution.

I commend my chairman for getting into this issue, because people of lesser intestinal fortitude would be less likely to tread these waters in the budget process. Yet the chairman is willing to sit down, and have a discussion.

Senator **Gorton**. Does that imply that he walks on water?

Senator **Quayle**. Some reporters have reported that. Some anonymous people, staff, maybe some of your staff, too.

But the point is, Slade, the process that we have now is not working; she is broken. She has to be fixed. We go from one year to the next on a continuing resolution. The House has passed only one appropriations bill. We are going to get into another continuing resolution and come back and march on it.

This Congress has been successful in getting a hold on budgetary matters, and if it had not been for Pete Domenici and others, we would not have done that.

BIENNIAL PROCESS WILL ALLOW 2-YEAR APPROPRIATION CYCLE PLUS OVERSIGHT

The authorizing committees have not done a darn thing. What have the authorizing committees done? We are in conference right now, on a job training bill. Hopefully, we will be able to get that out. The authorizations committees are not giving their bills any time. They are so beholden to budget resolutions that the process has become cluttered. What the biennial budget process will do is allow for a 2-year appropriation cycle plus oversight.

Now, everyone has said that we need oversight. We are not going to have many new programs; we will be more concerned with reforming Government rather than to expanding it. I do not see that there is any other way. I do not think there is any other way to really to provide for oversight, than to go to the biennial budget.

In the second year, or the second session of Congress, we will have the second budget resolution, at least under my proposal. In the second resolution, we will be able to come back and correct the economic assumptions in the budget as we laid down, which is certainly proper. So I hope that Dr. Rivlin might be able to educate us a little bit more before she leaves on the merits of the biennial budget, because I really do believe that it is important. Would you not agree? I will defer to you.

Dr. RIVLIN. I think I said it is worth very serious consideration.

Senator QUAYLE. Do you not want to go further and discuss all the illuminating facts of the biennial proposal that myself and Senator Ford have put forward, in which we will have the opportunity tomorrow or the next day, Thursday, to testify before this committee where Senator Gorton will be here to question us? I already know he is going to question us on this, but I would like to have a little education first. You are about ready to leave. You can be more objective and straightforward than you have been in the past. Go ahead and let him have it.

REVAMP COMMITTEE STRUCTURE

Dr. RIVLIN. I do not want to take a position on a particular bill. I do think that, in the interest of survival, the Congress has to do something to cut its own workload The biennial budget is one major possibility. Revamping committee structure, as one witness was brave enough to suggest earlier in the week, is another possibility. It is not one that I think you should address right now, but there may come a time when the structure of authorizations, appropriations, and Budget Committees may seem too cumbersome, and when you should consider having a Budget Committee and a set of program committees whose functions would be both to authorize and to appropriate in their respective areas.

Senator **Gorton**. To followup on that a little, this was one of the things that we discussed last week, that three functions or maybe four is at least one too many.

Are you saying that in theory, and recognizing that it is not going to happen in the immediate future, substantive committees, say a Commerce Committee, should have, subject to a strong Budget Act, a limitation in a budget document as to how much money it can spend on its programs, both the authorizing and appropriating authority? Would your ultimate authority be to abolish the Appropriations Committee then?

Dr. **Rivlin**. I would not put it that way. I would put it in terms of combining functions.

But I think that the structure that would make sense, both in the Congress and in the executive branch, is a set of committees, one for each major function of the Government, whose job is to decide what that function ought to be and how much money should be spent for it. Then you need a place to put it all together, which is the Budget Committee. In the executive branch, it is OMB. The Budget Committee would look at the tradeoffs, and bring both the tax and the spending side together and formulate a set of priorities to bring to the floor. It seems to me that that would fill the bill. You do not need two sets of specialized committees working on Defense or Commerce or whatever.

DIFFERENT APPROACHES TO BIENNIAL PROCESS

Senator **Quayle**. I think in the statement when you were talking about the biennial process, you said budget and oversight would be in the first and——

Dr. **Rivlin**. That is one way of doing it. That gets away from this change in the committee structure. Assuming the present committee structure, you could do the budget resolution and all of the spending and tax bills on the current schedule in the first session, with the budget years starting in the first month of the second session, January, for 2 years. That is not the way your bill is written as you know. But I think that is a possibility.

Senator **Quayle**. Yes. One of the major differences would also be that you have appropriations in the first session rather than the second session. The reason we put it in the second session was to give time for the authorization committees to exercise oversight and report to the appropriation committees so they would have as much time as possible before they would make their determination on a 2-year appropriation. We felt that was very important. But yours is in the first session.

I wonder why you argue for the first session rather than the second session.

Dr. **Rivlin**. Well, I think there are two possible approaches to it. The approach taken in your bill would preserve the iterative process in the budget process. First, you would set targets. Then, you would work very hard on the individual pieces and, in your structure, you would have more time to do that. At the end, you would put it all together. If you stretch that over a 2-year period, it becomes more feasible than doing it all in 1 year.

Another approach would be to say, OK, we take the Congress and sort of divide it in half and we spend 1 year doing budget appropriations, and tax work for a 2-year period. Then we spend the other year on oversight and everything else that the Congress is supposed to be concerned with. It seems to me that changing the authorizations belongs logically in that year if that is the basic approach. It is two different approaches.

Chairman DOMENICI. Would the Senator yield on that?

I have a much more practical approach to it. I will tell you how I see it.

If you appropriate in one year, one part of my judgment tells me you ought to do that as far away in time from the elections as possible because the propensity to overspend is great—or the lack of desire to cut is inversely proportionate there. So you ought to do that early. So it is as far away from the election as possible.

On the one hand, that argues for her notion—appropriate in the first year. Your excellent idea that we need oversight says, therefore, do that in the second year.

NO PERFECT WAY THAT CONGRESS WILL WORK ITS OWN WILL

Now, I am torn because my judgment, after 10 years, tells me that if you are going to have oversight in the second year, the year that the House gets elected, you will not have oversight because nobody will stay here to work on oversight. Unless you are pushed to have oversight, you do not have oversight, and if you put that in the second year, you will find the recesses grow in numbers and size and length, and authorizations and oversight-type activity will really fizzle. So I really think, Senator, and we will ask you more about it when you testify, that there is any procedure that is going to make Congress do what it ought to do. I think that is a question for Congress—the authorizing committees deciding that they want to take back some authority around here and get on with doing their job.

Of course, we had an omnibus reconciliation bill the first year of this President, and that did force him to do some work and, in a sense, it was categorized by some as taking up all their time. But I think even though there were views on the short period of time, there was more oversight done under that omnibus reconciliation than probably in 8 or 10 years. I am not sure it was done in a way that they wanted to do it, but that bill forced authorization changes. So it does not seem to me that there is any perfect way, in that Congress will work its own will, regardless of what you put down in the law.

Senator QUAYLE. There is obviously no perfect way, and the political will is something that the Congress has a way of exerting. Congress might get around a biennial budget as it does an annual budget. The only thing I am saying is we ought to have a timetable and calendar by which people could try to abide. Why not get into a real discussion of what might be a more practical, feasible way to have a budget process, which I want to see strengthened?

There are other people around, as you well know, to say "what the heck, we do not like the Budget Committee or the process itself." I am not in that category.

Chairman DOMENICI. Well, Senator, you sit on a committee that has all the labor law, ocean, and education authorization bill, both higher education and secondary and primary, student aid and CETA. Do you really think that the lack of significant substantive change in those fields this year is because the committee did not have enough time because this process cut it short?

PRESENT SYSTEM DOES NOT EMPHASIZE OVERSIGHT RESPONSIBILITIES

Senator QUAYLE. I do not really know if I have a direct answer to that, and I would hate to say automatically that we would have done more in oversight had we had more time.

What I would say is that the system that we have right now certainly does not emphasize or highlight or extend the oversight responsibilities I think this Congress ought to have. Now, the reconciliation bill accomplished a lot; it was probably the most significant bill ever passed by Congress in its entire history. But I am not sure that having that kind of a process or procedure year in and year out is really worthwhile if, in fact, you want the authorizing committees to do their work. I feel and they feel that they have been curtailed.

Now, I cannot tell you how much oversight would have been accomplished. But I do believe that the process would have been far more accommodating to oversight with the process I am talking about, than what we have right now.

Chairman DOMENICI. I will ask you one last question just by way of dialog with you.

How many authorizing committee chairmen do you think have asked their staff to find out how many authorizing laws in this land are going to be changed in the appropriations bill that is coming up next week?

Senator QUAYLE. How many authorizing bills have we changed? Probably a lot are going to be changed.

Chairman DOMENICI. Do you think the authorizing committees are concerned about that?

Senator Quayle. They might be. I am not a chairman of one but——

Chairman DOMENICI. I am accumulating a list. I do not know for what purpose. It is not the Budget Committee chairman's responsibility, but I would make a guess that 15 substantive laws of the land, at a minimum, will be changed in that authorizing bill. I note that they have 106-foot trucks——

Senator QUAYLE. In the appropriation.

Chairman DOMENICI. Yes. And it would seem to me that unless committees desire to go down there and say, "That is our jurisdiction, get it out of that bill," any process that you recommend is going to be rather futile around here. There are many more examples, but that one comes to my mind.

Senator QUAYLE. I do not subscribe to changing the Appropriations Committee into the authorizing and Appropriations Committee. Dr. Rivlin is suggesting it in a different context.

Senator GORTON. Quite a different context.

Senator QUAYLE. Quite a different context, but what Pete is saying is what she is saying, having the authorizing and Appropriations Committees be the same. He is saying, that with the lack of authorization and lack of oversight, the Appropriations Committees are making substantive changes to laws, much to the chagrin of our authorizing chairmen.

Chairman DOMENICI. I did not mean to interrupt, Senator. I am sorry.

BALANCING OF IMPOUNDMENTS AND DEFERRALS

Senator QUAYLE. I have just one other question on a different subject, but it does go to the Budget Impoundment and Control Act.

What is your thought now as to the balance with the executive and the legislative branch, particularly with respect to the impoundment and deferral decisions? Do you feel that it is about where it should be, or do you think that we might want to strengthen the executive hand on making the decisions an deferrals? Do you have any thoughts on that?

Dr. RIVLIN. I really do not have a view on that. CBO has not been intimately concerned—fortunately, I think—with impoundments and deferrals. That is something on which I really have not formulated a strong view.

TWO-YEAR CYCLE WOULD REQUIRE SIMPLE CHANGES

Senator QUAYLE. Thank you, Mr. Chairman.

Chairman DOMENICI. Thank you, Senator.

Dr. Rivlin, I think there is a need to unclutter, if we can. I think frequently we, in an effort to unclutter the processes around here, we tend to want to overhaul everything.

I have a notion that we could move incrementally toward a 2-year cycle by some very simple changes. I do not even think they would require statutory changes.

First, identify authorizing legislation that has been historically 1 year and suggest that it be 2-year authorizations, and then, second, pick out appropriations, those accounts in the appropriations process that change very little from year to year and leave those more controversial and volatile ones on a 1-year cycle and proceed with some understanding that you would do the others on a 2-year cycle.

I think if somebody did that exercise, they would find, my guess would be, 60 to 70 percent of the appropriated accounts could be out from under the annual scrutiny and annual passage, and the concern that if you do not get them done, this part of Government closes down or that part of the Government grant program does not get funded.

Do you have any thoughts about that?

Dr. RIVLIN. I think that is a very sensible way to proceed and, indeed, in some previous testimony had suggested something like that.

The next step, I think, would be for somebody actually to do it—to sit down and go through the budget and figure out if there are, as you suggest, a substantial number that could easily be done on a 2-year basis.

Chairman DOMENICI. Any further questions, Senator Gorton?

Senator GORTON. No.

Chairman Domenici. Thank you very much, Dr. Rivlin.

Dr. Rivlin. Thank you, Mr. Chairman.

Chairman Domenici. I am pleased to welcome as our second witness this morning Mr. Charles Bowsher, Comptroller General of the United States and head of the General Accounting Office. He was appointed last year. This is his first appearance before our committee and we look forward to hearing his comments on the process and will enjoy his perspectives.

Do you have some people with you that you want to identify, Mr. Bowsher?

STATEMENT OF CHARLES A. BOWSHER, COMPTROLLER GENERAL OF THE UNITED STATES, ACCOMPANIED BY ARTHUR J. CORAZZINI AND KENNETH HUNTER

Mr. Bowsher. Yes, Mr. Chairman, I have Arthur Corazzini here on my left and Kenneth Hunter on my right. They are both from the General Accounting Office.

Chairman Domenici. They all want to give testimony?

Mr. Bowsher. No. I am just going to give it.

Chairman Domenici. Mr. Bowsher, you may proceed.

Mr. Bowsher. Thank you very much, Mr. Chairman, and members of the committee.

I am very pleased to appear before you today to discuss improvements in the Congressional Budget and Impoundment Control Act. I have a rather lengthy formal statement which I ask that you include in the record.[1] In lieu of reading that statement, I would just like to make a few brief remarks about some of the main points.

I have always viewed improvement of the governmental policy and management functions to be a continuous process of reform and change; we learn new and better ways of doing our jobs every day and need to share our ideas so all of us may benefit. Hearings such as this are important to this exchange of ideas and experiences. I have been greatly encouraged by the scope and depth of the Congress current concern for administrative reform. Your committee is addressing one of these very important reforms—one that affects every citizen—the processes by which the Federal Government sets national budget priorities.

The current Budget Act, by providing an operational umbrella over the other policymaking processes of the Congress—budget and fiscal policymaking, authorization—appropriations, and revenue raising was designed to create a framework within which the Congress could set national budget priorities and establish levels of Federal revenues and expenditures.

However, implementation of this act has most recently been beset with difficulties, including severe timing problems, repetition and duplication in the process, and increased use of continuing resolutions. The budget has become so all consuming that little time is left for other legislative matters and delays in funding decisions have increased despite extraordinary efforts of Members of Congress. Those delays have an effect on both financial markets and the effective and efficient operation of Government agencies and programs. I share your view that the Congress must solve these problems, and must solve them soon.

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[1] See p. 146.

BALANCE NEEDED IN BUDGET PROCESS AMONG STABILITY, CONTROL AND FLEXIBILITY

Congress is faced with conflicting budgetary pressures which have been accentuated by the budget process and its evolving problems. It is desirable to have more stability in Government programs and funding, especially where States and localities are concerned. It is also desirable to have greater control over expenditures, revenues and the deficit. However, at the same time, it is desirable to retain flexibility to respond to unexpected conditions, changes in the economy, or changing priorities. In addition, simplicity in the budget process is necessary so that it can work and not be an all-encompassing endeavor for the Congress. It must also allow sufficient time for oversight and other necessary duties. Obviously, a balance among these conflicting pressures is the only practical solution. In this testimony, I will discuss the various budget process problems and reforms being considered in the context of stability, control, or flexibility, as appropriate. I believe that Congress, in considering the overall scope and impact of its budget process, will decide to take steps which will achieve the delicate balance needed for success.

STABILITY

I think it is essential that we bring much greater stability to our Government's activities and thus to our economy. Accomplishing this task will require that we not only strengthen the basic framework for congressional decisionmaking but also that we greatly improve the Federal Government's financial management system at all levels. Such steps would also ultimately lead to better budgetary control.

The implementation of the budget process, especially in the last few years, has been a source of frustration. For example, this year's process demonstrated once again that there is simply not enough time available for the Congress to complete all the actions necessary to enact a budget under the present process by the start of the fiscal year. The Government began fiscal year 1982 on a continuing resolution and will have to begin 1983 on one as well. The problem goes beyond the unique circumstances of these particular budget cycles. In my judgment, the heavy workload which causes this situation, and which is equally a problem in the executive branch, stems in a large part from a process which is unnecessarily repetitive, a structure and system which is unduly complex, and a level of decisionmaking which is inappropriately detailed.

We need to consider ways of overcoming each of these factors—complexity, repetitiveness, and inappropriate detail—if we are to solve the broader problems of achieving an appropriate balance between stability, flexibility, and control. Three actions the Congress could take to bring about greater stability in Government operations are: (1) Enacting permanent statutory authority to allow incurrence of obligations during "funding gaps"; (2) adopting a biennial budget cycle; and (3) using longer term and advanced budgeting for capital investments, research and development and aid to State and local governments.

CONGRESSIONAL CONTROL

Besides the critical need to bring a degree of stability to Federal management, now is also the time to redouble the efforts to gain more budgetary control. The issue of "controllability" involves the tradeoff between the real need for a longer term, stable commitment by the Federal Government to people who participate in Federal programs and activities versus the real need for the Congress to "control" the budget in both the short term and the long term.

There is no magic formula for making this tradeoff. It requires constant long-range planning; monitoring of socioeconomic trends; oversight; monitoring and evaluation of Federal programs and activities; and other "good administrative controls" to support the analysis and decisionmaking on budget priorities for both the short and long terms. Furthermore, the tradeoffs have to be made on a program by program basis dealing with specific groups of people, specific sectors of the economy, and specific problems. These individual program decisions can be made in the context of budget policy encouraging multiyear, but not permanent, commitments.

Areas the Congress needs to consider, which I cover in my detailed statement, that would help us to achieve greater control, include full coverage of the budget; appropriate categories and level of detail of the budget; budget authority recording issues; and Congressional procedures.

FLEXIBILITY

If changes are made to the budget process to bring greater stability and control as I have just discussed, there will also be a need for flexibility in the process by which decisionmakers can adjust to contingencies and changing conditions. Some flexibility is already built into the budget process through existing adjustment mechanisms. These include procedures for changes to the budget resolution, supplementals, rescissions, deferrals, transfers, and reprogramings.

Though these adjustment mechanisms do offer some flexibility, and can be useful tools during the budget cycle, they are handled in an ad hoc manner by the executive branch and the Congress. To make the adjustment process more effective, there should be specific procedures and someone responsible for managing it, such as the Appropriations Committees. The adjustment process should be a means for making changes within some specific limits. But it should not become a vehicle for reopening decisions which would undermine stability. In considering this issue, however, we urge that the adjustment process be limited to matters that cannot await the next budget cycle.

Because the budget process is so integral to the way Congress behaves as an institution, reforming it will require a bipartisan consensus within the Congress and a careful balancing of conflicting objectives. This series of hearings has been an excellent forum for furthering the Congress understanding both of the issues and of some innovative approaches the Congress might wish to take toward simplifying its budget process, allowing more time for Congress to do this work, and strengthening discipline and enforcement within its budget process.

I commend the chairman and this committee for the thoughtful effort which has gone into initiating the long and difficult—but necessary—process of improving the congressional budget mechanism. I offer whatever assistance we can provide as you continue with this work

Chairman DOMENICI. Did you want your statement to be made a part of the record?

Mr. BOWSHER. Yes I would.

Chairman DOMENICI. It will be made a part of the record.

UNITED STATES GENERAL ACCOUNTING OFFICE
Washington, D.C. 20548

TESTIMONY OF
CHARLES A. BOWSHER
COMPTROLLER GENERAL
OF THE UNITED STATES
BEFORE THE
COMMITTEE ON THE BUDGET
UNITED STATES SENATE
ON
IMPROVEMENTS TO THE CONGRESSIONAL BUDGET AND
IMPOUNDMENT CONTROL ACT
OF 1974

Mr. Chairman and Members of the Committee:

I am very pleased to appear before you today to discuss improvements to the Congressional Budget and Impoundment Control Act. I have always viewed improvement of the governmental policy and management functions to be a continuous process of reform and change; we learn new and better ways of doing our jobs every day and need to share our ideas so all of us may benefit. Hearings such as this one are important to this exchange of ideas and experiences. I have been greatly encouraged by the scope and depth of the Congress' current concern for administrative reforms. Your

Committee is concerned with one of these very important reforms--one that affects every citizen--the processes by which the Federal Government sets national budget priorities.

The current Budget Act, by providing an operational umbrella over the other policymaking processes of the Congress (budget and fiscal policymaking, appropriations, revenue raising, and authorization), was designed to create a framework within which the Congress could set national budget priorities and establish appropriate levels of Federal revenue and expenditures.

However, implementation of this Act has most recently been beset with difficulties, including severe timing problems, the repetition and duplication in the process, and the increased use of continuing resolutions. The budget has become so all consuming that little time is left for other legislative matters. Nevertheless, despite extraordinary efforts of members of Congress, delays in funding decisions have increased. These delays have an effect on both financial markets and the effective and efficient operation of government agencies and programs. I share your view that the Congress must solve these problems, and must solve them soon.

BALANCE NEEDED IN BUDGET PROCESS BETWEEN STABILITY, CONTROL, AND FLEXIBILITY

The Congress is faced with conflicting budgetary pressures that have been accentuated by the budget process and its evolving problems. It is desirable to have more stability in Government programs and funding, especially where States and localities are concerned. It is also desirable to have greater control over expenditures, revenues, and the deficit. However, at the same time, it is desirable to retain flexibility to respond to unexpected conditions, changes in the economy, or changing priorities. In addition, simplicity in the budget process is necessary so that it can work, work on time, and not be an all-encompassing endeavor for the Congress. It must also allow sufficient time for oversight and other necessary duties. Obviously, a balance between these conflicting pressures is the only practical solution. In this testimony, I will discuss the various budget process problems and reforms being considered in the context of stability, control, or flexibility, as appropriate. I believe that the Congress, in considering the overall scope and impact of its budget process, will decide to take steps that will achieve the delicate balance needed for success.

STABILITY

I think it is essential that we bring much greater stability to our government's activities and thus to our economy. Accomplishing this task will require not only that we strengthen the basic framework for congressional decisionmaking but also that we greatly improve the Federal Government's financial management system at all levels. Such steps would also ultimately lead to better budgetary control.

The implementation of the budget process, especially in the last few years, has been a source of frustration. For example, this year's process demonstrated once again that under the present process there is simply not enough time available for the Congress to complete all the actions necessary to enact a budget by the start of the fiscal year. The Government began fiscal year 1982 on a continuing resolution and will have to begin 1983 on one as well. The problem goes beyond the unique circumstances of these particular budget cycles. In my judgment, the heavy workload that causes this situation, and which is equally a problem in the executive branch, stems in large part from a process that is unnecessarily repetitive, a structure and system that is unduly complex, and a level of decisionmaking that is inappropriately detailed.

We need to consider ways of overcoming each of these factors--complexity, repetitiveness, and inappropriate detail--if we are to solve the broader problems of achieving an appropriate balance between stability, flexibility, and control. In examining those questions, I would like to start with the matters of stability, and to turn first to an issue that is critically urgent, the problem of funding gaps.

Funding gaps issues

Earlier this year, we testified on the "funding gap" issue. At that time, the Federal Government was facing a possible delay in raising the debt limit. More recent concern regarding funding gaps involves not only passage of the debt limit but also passage of the recent supplemental appropriation and now the continuing resolution for fiscal year 1983--three potential funding gap situations in a few weeks' time. There have been relatively frequent funding gaps due to the failure to enact timely appropriations. The effects of these gaps on Federal operations and services include lost productivity, lowered morale, disruptions in services, lowered respect for the Federal Government, and some direct costs. These effects involve not only the Federal agencies but also those who work under Federal contracts and grants, including local governments, States, universities, defense contractors, and those who receive Federal aid and services.

The extent of these effects depends on how agencies respond to the existence (or prospect) of a funding gap and the length of the gap. The present procedure is to immediately begin an orderly shutdown of non-essential operations. The most significant shutdown was on November 23, 1981. It did not extend beyond that day and was not fully initiated in all agencies. Therefore, that experience does not provide us with a basis for assessing the effects of a longer and more complete shutdown. The Constitution precludes the withdrawal of public funds from the Treasury except pursuant to appropriations made by law. Moreover, the Antideficiency Act establishes procedures and criminal penalties to assure that funds are neither obligated nor spent in the absence of sufficient appropriations.

For many years, the Congress and the President were able to meet fiscal year deadlines for passing appropriations measures to assure the smooth continuation of Government operations from year to year. As Government activity and related budget consideration grew more complex, however, it became increasingly difficult to meet fiscal year deadlines on an agency-by-agency basis. Stop-gap measures, called "continuing resolutions," were used to avoid disrupting Government operations. As fiscal years were ending without enactment of either specific appropriations or continuing resolutions, anxieties increased, but congressional action took place in sufficient time to avoid more than a day or two without the provision of funds.

GAO took the position that allowing employees to report for work after the lapse of appropriations would constitute a violation of the Antideficiency Act. But, on the premise that the Congress expected the Government to continue functioning, we did not pursue our normal course in dealing with the statutory violations involved. That is where the issue stood until April 25, 1980--the day the Attorney General issued a landmark opinion concluding, in essence, that except for activities necessary to achieve an orderly shutdown, Government operations must cease when appropriations lapse without the provision of new funding. He went on to say that future violations would be subject to criminal prosecution. The Attorney General's opinion was designed to force the Congress to meet budget deadlines, thereby avoiding end-of-fiscal-year confusion. The Congress, in light of the opinion, later enacted a continuing resolution only to have it vetoed. A costly shutdown occurred. It is easy to point fingers of blame when this happens, but the real culprit is a system that promotes confrontation.

We believe, as we did before the Attorney General's opinion, that it is inconceivable that the Congress or the President wish the government to come to a halt under these circumstances. To prevent this result in the case of a lapse in appropriations, we have recommended that permanent statutory authority be enacted to allow the incurrence of obligations to continue during periods of lapsed appropriations. This would minimize the ill-effects of such situations. However, this would not allow the disbursement of funds until appropriations were made by the Congress.

A more far reaching approach would be the adoption of some form of legislation that would permanently and automatically continue funding. The authority could (1) be in effect for a limited amount of time (less than 1 year) and (2) fund programs at the level of the previous fiscal year or (3) fund them at a reduced level. Government programs would be allowed to continue while the Congress had time to make orderly decisions.

Another potential funding gap relates to the debt ceiling. Voting once to raise the debt ceiling is painful enough without having to deal with this issue repeatedly. Would it not be preferable to increase the ceiling by larger amounts or perhaps make the entire debt ceiling permanent in order to extend the time period covered by this legislation? This would help avoid lapses in government funding and reduce the need for frequent decisions on that issue.

Biennial Budgeting

In addition to dealing with the more urgent funding gaps issue, the Congress may wish to consider another mechanism, a biennial budget cycle, that would significantly enhance the stability of the entire budget process.

We believe that biennial budgeting offers several potential advantages over the current system. If effectively designed and implemented, it would

--allow more time for congressional decision-making and oversight;

--reduce the number of times the Congress must act on the same programs;

--provide more time for long-range planning; and

--provide an opportunity for better budget analysis, financial and operational planning, budget execution, and program review by both the Congress and the executive branch.

Biennial budgeting can also provide more funding certainty for recipients of Federal monies or services, especially if it were coupled with greater use of advance budgeting for these programs.

Despite these potential advantages, it is important to remember that determining the sequence of key events and constructing a realistic biennial timetable is very difficult. Any budget timetable represents a series of decisions as to the choice of key events in the budget process, the sequence of those events, and the amount of time allowed for each event. The timetable of the 1974 Act assumed that all the then-existing events in the budget process would remain. The Act further superimposed on all these events a guiding first budget resolution with targets, a binding second budget resolution with ceilings, and a reconciliation process. This timetable also assumed that authorizations would precede appropriations.

A biennial schedule could include all of the steps in the current process, fewer steps, or different steps. A biennial schedule could spread the budget events over an entire 2-year period with oversight occuring throughout or it could put the budget events in the first year, followed by oversight in the second year, or vice versa. The biennium could coincide with the two years of a congress or could overlap congresses. The fiscal period could begin October 1, as it does now, or could be changed to January, or back to July.

In our recent testimony of August 19, 1982, before the Senate Committee on Governmental Affairs concerning the Budget Reform Act of 1982 (S. 2629), we discussed that bill's proposed biennial budget timetable, which differs substantially from other proposals we have reviewed. Under S. 2629, all budget decisions would be made in the first session of Congress; the second session would be devoted primarily to oversight. We stated that this timetable is attractive because

- --it allows difficult budget votes to come in a non-election year;
- --it allows budgets to be adopted during the first year of a President's term, when there is more chance of consensus between the President and the Congress;
- --it allows a newly-elected President to initiate swiftly the program outlined in the campaign; and
- --it leaves the Congress relatively free in the second session to perform program and policy oversight, building a base of information for consideration in the subsequent biennium.

However, we also pointed out that this timetable does have some drawbacks. New Presidents would have little time to develop a comprehensive budget policy unless their top executives were identified early and were ready to go to work soon after the election. This problem might be ameliorated by sliding the dates for congressional action. But this would restrict the time available for congressional deliberation, which S. 2629 would relieve only slightly by shifting the start of the fiscal period to January 1.

Other timetables have different advantages and drawbacks. None seem to satisfy every concern. The choice involves tradeoffs. On the whole, we favor a timetable having congressional action on the budget take place in the first year of a Congress, with oversight and other activities primarily concentrated in the second year.

Advanced budgeting

Longer term and advanced budgeting methods can also serve as mechanisms to bring about greater stability by allowing funds to flow predictably. This is particularly important for activities whose efficient execution is dependent on effective long-term planning.

The type of funding should depend on the nature of the activity. For instance, one activity may dictate the use of longer term appropriations or authorizations, another may require advanced funding, and still another may benefit from some combination.

Three areas where greater stability would be particularly advantageous are

--investments in capital or physical assets,

--research and development, and

--aid to State and local governments.

Investments in capital or physical assets should involve longer term decisions on programs and funding whenever possible. Greater stability for investment programs, such as major military weapons programs, is a necessary ingredient in program efficiency. A longer term focus for investment decisions would allow the Congress to consider budget levels in relation to the overall conditions and needs for the Nation's public infrastructure and the defense structure. The 5-year programs for shipbuilding and the 3-year programs for aircraft construction are good examples of how this is presently being done for defense.

The research and development area also needs greater certainty and continuity of work as well as information for looking across agencies. As with capital investment programs, we believe multi-year funding is appropriate to avoid the disruptive effects of sudden, unplanned changes in direction. We feel that this type of funding would have a very positive and stabilizing effect on the conduct of Federal R&D. Funding should be available to move from one phase of research to the next without disruption.

The third area is aid to State and local governments, who need more stability and continuity of funding. Their greatest need, however, may be for earlier information about the funds which will be made available. GAO currently has a study underway examining the timing problems among the Federal, State, and local budget processes. The study has found that most State and local governments, if they are to plan effectively, must have definitive information 6 months before the start of their fiscal years (in most cases July 1). But, Federal decisions on funding levels are often made just before the beginning of the Federal fiscal year, October 1, if the Congress adheres to its budget timetable. This means that most Federal decisions are made at least 9 months too late from the State and local point of view. Thus, we recommend that consideration be given for making funding decisions in this area on a 2-year cycle, with advance budgeting by 1 year for these programs.

CONGRESSIONAL CONTROL

Besides the critical need to bring a degree of stability to Federal management, now is also the time to redouble the efforts to gain more budgetary control. The issue of "controllability" involves the trade-off between the real need for longer term, stable commitment by the Federal Government to people who voluntarily or involuntarily participate in Federal programs and activities versus the real need for the Congress to "control" the budget in both the short and long term.

There is no magic formula for making this trade-off. It requires constant long-range planning; monitoring of socio-economic trends; oversight, monitoring and evaluation of Federal programs and activities; and other "good administrative controls" to support the analysis and decisionmaking on budget priorities for both the short and long terms.

Further, the trade-offs have to be made on a program-by-program basis dealing with specific groups of people, specific sectors of the economy, and specific problems. These individual program decisions can be made in the context of a budget policy of encouraging multi-year (but not permanent) commitments.

Areas I wish to discuss today that would help us to achieve greater control include questions of coverage of the budget; what categories and level of detail is appropriate; budget measurement issues; and congressional procedures.

Budget coverage

I believe the current focus on revenues, outlays, and the resulting deficit or surplus is appropriate. The focus on budget authority is also appropriate. However, the additional attention that has been given to these levels in the past few years has shifted some attention away from the obligation levels that are more controllable and that, in turn, control the amount, but not the precise timing of the outlays. The Congress' interests in budgetary control may be better served by shifting more focus back to obligation levels, both the new budget authority requested as well as the total obligation authority it has made available, including the carryover balances.

In addition to looking at the proper focus of budget control, there is a critical need to examine proper control of off-budget entities, credit and entitlement programs, and the budgetary treatment of tax expenditures. Several important programs are legislatively excluded from the budget, resulting in incomplete budget coverage of about $20 billion. Furthermore, the growth in entitlements, tax expenditures, and the increasing economic importance of Federal credit activities have created new budget control and information problems. Incomplete coverage of these matters can only impair public confidence in the budget process.

Level of detail of decisions

Decisionmakers in the Government today must give priority to improving their management control systems. They must also encourage the types of analysis that will help them make hard choices in selecting the programs and activities that are to be reduced, terminated, or expanded. It is evident that decisionmakers are currently faced with "decision and detail overload." No decisionmaker can be expected to grapple simultaneously with the myriad separate decisions represented by the appropriation account, activity, and object class structure in the Appendix to the President's Budget. This overload creates a barrier for decisionmakers towards achieving control of the budget because the focus is on details rather than broad policy issues.

Top policy officials of the Congress, the President, and the executive agencies should focus on broad policy, including the basic direction and general content of programs. Accountability and control of this level should concentrate more on assuring that these policy directions are pursued and less on the detailed activities necessary to implement them.

This is not to say that decisions at the level of detail in the Appendix are unimportant. Decisions made at the top of the governmental structure obviously must be converted into more detailed decisions as one moves down the hierarchy and simultaneously moves from planning broad priorities to executing specific programs and activities. Once these broad priorities are decided, program managers should be delegated the authority needed to carry out those policy decisions and should be held responsible and accountable for the results.

Budget structure

Currently, proposals have been made to separate from the unified budget such items as capital investments and the trust funds that finance retirement programs. We agree that these issues warrant particular attention and visibility in the budget process. However, we believe that can and should be done within the unified budget. Separate budgets would risk the loss of attention to the overall budget totals, which are critically important as a component of economic policy. It would also create a tempting opportunity to play games with the numbers by shifting programs from one budget, where funds may be tight, to another, where conditions may be somewhat more relaxed.

To reconcile these concerns, we suggest that the main budget structure might be revised to group the Federal Government's programs and activities into the following types of policy areas:

1. investment in capital assets, both defense and domestic,
2. research and development,
3. aid to State and local governments,
4. credit assistance,
5. entitlements for individuals,
6. interest, and
7. operating expenses.

We chose these seven categories as a starting point for developing a different budget structure, because they each involve large portions of the Federal budget and each require different planning, financing, and management approaches. Of course, budget data can be structured in many ways. We believe modern data processing techniques should permit the budget to be reformatted in a variety of ways to serve a variety of purposes. But we think this structure would have a special value. By looking at the budget from these seven policy perspectives, it is easier to deal with the national needs, the Federal Government's roles, and the means for financing more comprehensively, ultimately achieving increased control of the budget. This cannot be done program by program, nor can it be done effectively using the current budget functions, although each of those structures has value for other purposes.

Measurement issues

The 1967 President's Commission on Budget Concepts recognized the importance of realism, comparability, and consistency in measuring budgetary resources and spending levels. It is clear from our work in this area, however, that significant problems exist today. Furthermore, technical problems can be expected to grow as the variety and complexity of programs continues to increase. We believe that three measurement areas deserve special attention:

--First, there are unresolved issues pertaining to the budget authority concept and its application. It is, of course, most important to have meaningful, consistent, and well understood budget authority recordings given the fact budget authority is the key financial resource controlled by the Congress and executive branch in their budget-setting actions. Unfortunately, there is confusion about budget authority given the maze of varying applications.

For example, there is no general agreement on which multi-year programs should be "fully funded." I believe that where proper planning and good management exist, the full funding approach can facilitate greater program stability, more equitable comparisons of programs and the "up front" disclosure of total costs. We have developed some criteria for the application to full funding. It is clear, however, that more work is needed to identify the programs where full funding should be applied.

It is also clear, however, that serious problems can arise if full funding is provided in the absence of good planning and management. Cost overruns, program delays and so on may not come to light promptly without the visibility of regular funding decisions. An alternative which provides some of the benefits of full funding would be more extensive use of multi-year authorizations.

Another confusing budget authority matter is the fact that budget authority recordings do not always represent total new obligational authority even in one-year programs. There are many programs, including public enterprise revolving fund and emergency programs, which have budget authority recordings that express far less than estimated or actual new obligational authority because of current conventions. In public enterprise revolving funds, for example, the recordings do not encompass the obligational authority that is generated by program business-type collections. I think that under such varying practices among budget accounts the budget authority concept is less meaningful, and the practices add to the general confusion about the budget.

--A second matter, closely related to the first is the continuing use of offsetting business-type revenue to reduce reported budget totals. For example, the offsetting practice reduced estimated on-budget and off-budget outlays for fiscal year 1981 by about $102 billion. We believe that this practice significantly understates outlay totals, and we favor reporting the amounts on a gross basis. I also believe this would be a step toward simplifying budget totals.

--Third, we need to look again at the concepts used to express dollar levels of program activity. Both the Hoover Commission and the Commission on Budget Concepts endorsed cost-based budgeting and the reporting of receipts and expenditures on an accrual basis. We have had only partial implementation of these recommendations, with attendant confusion. For example, although Federal agencies have taken significant strides to adopt modern accrual accounting systems, and the President's Budget Appendix now reports "costs" for many activities, budget decisions and controls continue to be on "obligations" rather than costs.

The problems with budget estimates

Many aspects of the Federal budget process frustrate its participants. One is the volatility of the budget numbers or estimates that appear in the President's budget and the budget resolutions. Not only is the derivation of these numbers complex, but the estimates often only approximate actual amounts. Seldom do the major participants agree on these estimates. Today we would like to focus on the formulation of these estimates, the major reasons for misestimates, and some of the proposed reforms.

Large parts of the budget are determined by economic and social conditions in the U.S. and, to some extent, abroad. Thus, before budget estimates can be formulated, assumptions must be made about the outlook for these factors during the budget period. While errors in the estimates can arise from technical mistakes, the large ones are much more likely to flow from mistaken assumptions about how the economy will behave.

Economic forecasting is, of course, a difficult business. But, accurate forecasts are invaluable since much of the variance among budget estimates is due to differences in the perceived future condition of the economy. However, since assumptions about future events must be made and the future can diverge from current expectations, it should not come as a surprise that forecasts are often off the mark.

In preparing a forecast, assumptions must be made about such difficult matters as the monetary policy that the Federal Reserve will pursue over the period in question. The usual practice is to feed these assumptions into an econometric model to project what the economy will be like in upcoming fiscal years. The reliability of the resulting forecast depends on the accuracy of the policy assumptions and the extent to which future behavior conforms to that described by the models' many predicting equations. In addition, the forecasts are usually tempered by human judgment.

Slight variations in the actual performance of the economy, compared to the forecast, can have large implications for the budget. For example,

--A one percentage point increase above the projected rate of unemployment will cut revenues by about $12 billion in one fiscal year and increase expenditures by $5 billion.

--A one percentage point increase in the inflation rate adds about $5 billion in revenues and $1.3 billion to expenditures in the first year.

--A one percentage point increase in interest rates adds about $1 billion in revenues in the first year and about $2.3 billion to expenditures.

The budget estimates also include assumptions about anticipated legislative and administrative actions. When these turn out to be incorrect, they can effect both revenue and expenditure estimates.

Errors can also arise from such factors as abnormal weather conditions and natural disasters. A severe drought, for example, may have an adverse effect on the farming industry, reducing Federal tax revenues. It may also cause Federal expenditures for disaster relief or crop insurance to rise above the estimated level.

Because the forecast is, in part, an extrapolation of past events, some account can be made for such things as abnormal weather conditions. However, occasionally a disaster, such as the eruption of Mt. St. Helens will occur, falling well outside the range of expected events.

Another reason for inaccuracies in revenue and expenditure estimates is unforeseen international events. The Arab oil embargo of 1973 was something few could have predicted, and it certainly had a dramatic effect on U.S. revenues and expenditures.

Finally, in the complex process of developing budget estimates, it is always possible simply to make a mistake. While this obviously happens from time to time, we do not believe it to be a major problem. Errors of this sort appear to be relatively small.

From this review of the sources of error in budget estimates, it seems evident to us that the appropriate focus of attention is the set of economic assumptions that underly the estimates. In doing so, however, one must recognize that although it is difficult to quantify the political impact on estimates, it nevertheless is there in the form of the personal judgment involved in adjusting the initial forecasts of the computer models. It is not uncommon for revenues and expenditures to be optimistically estimated for political reasons. For example, a president or Congress may choose to project a lower inflation rate than others believe likely, with consequent effects on the estimates of both revenues and outlays. In addition, people may sincerely hold sharply differing views of how the economy functions and thus of how it will behave. This sort of disagreement appears to have been at the root of the debate last year over the likely effect on the economy and the budget of the 1981 tax reductions.

In recognition of the problems caused by widely divergent sets of economic assumptions, the inexact nature of the estimates, and the need for frequent revisions, combined with the political significance of the estimates, several proposals have been offered. We will briefly discuss three of these proposals.

The Penner proposal: common economic assumptions

In a paper published in August 1981, Rudolph Penner of the American Enterprise Institute suggested some technical methods for arriving at neutral economic assumptions that could be used in budget debates by the executive branch and by the Congress. Mr. Penner proposes the following procedures:

> First, that all contending parties agree in December preceding the start of the fiscal year to base program decisions on a common set of forecasts and projections regarding the economy. These would be used throughout the first budget resolution.
>
> Second, the contending parties could also project the implications of policy decisions on different sets of assumptions if they like, but at least there would be one set for consistent comparisons.
>
> Third, a new set of assumptions could be divised for the administration's July budget revisions and the second budget resolution, based on the latest data.

The attractiveness of this approach lies in the fact that with one common set of economic assumptions, policy issues could be more clearly separated from issues arising because of different assumptions. In addition, this set of economic assumptions would be as free as possible from political manipulations.

The Gephardt proposals: Board of Revenue Estimators

In his bill, H.R. 6866, Mr. Gephardt offers a concept somewhat related to Mr. Penner's suggestion. Instead of using a common set of economic assumptions, Mr. Gephardt proposes to establish a Board of Revenue Estimators, made up of the Chairman of the Board of Governors of the Federal Reserve System, the Director of the Office of Management and Budget, and the Director of the Congressional Budget Office. It would be the duty of this board to determine the revenue estimates for the budget resolutions and for the next two fiscal years. Having a board responsible for revenue estimates will not only result in a common set of economic assumptions for revenues, but also involve the Federal Reserve in budget policy, a move gaining in popularity.

The Michel proposal: ranges for budget estimates

In his bill, H.R. 6400, Mr. Michel calls for ranges of numbers for outlays, revenues, and deficits or surpluses to appear in the budget resolutions. These ranges would remain in effect for 60 days, at which time the Budget Committees would review the numbers. If the economy had changed dramatically, the panels could recommend appropriate revisions. This approach not only recognizes that budget estimates are not exact but also that the Congress needs the flexibility to make revisions to the budget in response to changes in the economy. It can be argued by some that adjustment to the budget too frequently may be counterproductive. Nevertheless, we believe that the recognition of this need for flexibility is a positive step.

These proposals have merit. If successful, they could help eliminate an important source of confusion in the debate over the budget. But none are fool-proof. For example, the participants may have as much difficulty agreeing on a set of common assumptions in December as they now do in March. Also, one should recognize that involving the Federal Reserve in a consensus forecast implicitly asks them to agree on a prediction of the future course of interest rates. I suspect the Federal Reserve would be very reluctant to do this because it would further complicate the task of implementing an effective monetary policy.

On the whole, we applaud the effort to develop a way of coming into agreement on economic assumptions. If these efforts are successful, it would be an important step forward for the budget process. Thus, it may well be worth experimenting with the Penner approach. While we remain a little skeptical, it appears the most promising of the three.

Program accountability and oversight

Program accountability and oversight are two areas that have languished somewhat in the last few years, as the budget debate has tended to dominate the business of the

Congress. If the Congress were to move toward longer funding periods, as we have suggested, there would be more opportunity to focus on these areas. Some of the budget reform proposals contain a set-aside period for the Congress to do oversight. This set-aside period should certainly go a long way to enabling the Congress to conduct more oversight. We would suggest that, in addition, oversight procedures or mechanisms be established. The Congress could develop oversight and program review agendas. For instance, committees could develop a tentative schedule of their oversight activities for each Congress. Such a schedule could list programs to be reviewed, policy areas/topics to be examined, and the nature of such reviews. These reviews could be both retrospective and prospective. Reviews can be general oversight reviews of management or program effectiveness or budget-oriented reviews to identify areas for savings. For example, GAO recently completed a budget-oriented review of DOD plans. Because military spending is projected to be about 32 percent of the total budget in 1985, up from 24 percent in 1980, we wanted to take a critical look at Defense's plans, examine actual use of these increased funds, and determine the areas where improvements were needed.

We found that between fiscal years 1980 and 1982, the Defense budget increased by approximately $72 billion, a 50 percent increase since the 1980 budget year. Most of the increase was directed to improving readiness and sustainability, modernizing the forces, and improving the quality of life for military personnel. Our examination of this spending and the way Defense makes its spending decisions showed that corrective action is required in numerous areas. For instance,

--The Secretary of Defense needs to follow through on his pledge to improve stability in the weapon systems acquisition process by eliminating marginal programs to fund higher priority programs at more economic levels of production.

--The Secretary of Defense needs to monitor more closely those programs receiving large funding increases to ensure that additional funding can be spent prudently.

--The Secretary and the Congress need better visibility over the way funds are used in the operations and maintenance areas. Currently the reporting to higher levels is primarily through the financial controls, such as obligation rates, rather than through reporting on what was accomplished with the funds in relation to the plan.

--The current Defense budget system needs to be improved; it is virtually silent on what was accomplished with the funds provided. In addition, defense needs to (a) better justify its requests, (b) develop a strategy for carrying out the programs, (c) clearly state their objectives and develop a measure to gauge performance, (d) report their accomplishments in relation to their established criteria, and (e) build into subsequent budget requests feedback on actual performance.

GAO can focus its work on the programs and policy areas the Congress will be addressing in its oversight process, thereby better meeting the information needs of the Congress. For example, we could provide the Congress one or more summary reports at the beginning of each Congress covering our work on major issues the Congress plans to address plus any other matters that have come to our attention that we believe the Congress should consider. We could also provide the entire Congress with separate reports on each of the major programs and policy areas. We recently completed a prospective review of economic policy. This is discussed in the fiscal policy section near the end of my statement.

In the area of program accountability, the Congress may want to consider other steps including using a procedure patterned after the Department of Defense SAR (Selected Acquisition Reports) system for major capital investments throughout the government.

The Defense SAR system provides useful information on the status and progress of selected major weapons systems. Through this system, which has been in existence for over a decade, some visibility on weapon system cost and cost growth, as well as changes to schedule and technical performance data and reasons for such changes, are provided to congressional committees. Just as important, the SAR system provides categories recording specific causes of cost growth. This type of data, accumulated over a period of years on a wide variety of systems, has provided a valuable insight into such growth.

We believe that although the SAR system provides useful information, it can be improved. These improvements were outlined in testimony before the Senate Committee on Governmental Affairs on April 22 of this year. The focal point of our testimony at that time was the proposed use of the SAR system for major civil acquisitions, as envisioned in S. 2397. We stated that such a system would provide the Congress and top agency management with oversight data on the progress and direction of projects and allow them to readily identify problem areas and their causes. We feel that the SAR system should be an integral part of the congressional oversight process and budget execution, particularly in view of the need for better information on capital investments, including development of longer range plans and the evaluation of agency performance in light of these plans.

Simplifying congressional procedures

Many have argued that the current budget process is too cumbersome and repetitive and, therefore, is in need of simplifying, whether or not we change to a longer fiscal period. I will discuss 4 ways that have been proposed to simplify the process:

- --a single binding budget resolution,
- --an omnibus appropriations bill,
- --withholding "budget-busting" bills from enrollment, and
- --reconciliation any time after passage of the budget resolution.

The single binding budget resolution is attractive because it eliminates the repetition of the second and, at times, third budget resolutions. Another simplifying approach is having a first resolution with a provision to make the first binding if the second is not passed by a certain date (as is now in effect for the Fiscal Year 1983 budget).

The omnibus appropriations bill would accomplish two things. It would eliminate the repetition of passing 13 appropriations bills and it would tend to strengthen the discipline in the process. That it failed to work once before (for the 1950 appropriations) is certainly basis for concern, but the idea is worth further consideration. On the other hand, retaining the 13 separate appropriations bills does have the advantage of continuing the more specialized and detailed attention given to parts of the budget by the Congress as a whole. Another alternative for even greater integration would be a single consolidated budget bill, embracing revenue actions and the debt limit, as well as appropriations, such as Mr. Obey has suggested. This would provide further assurance of consistency among various aspects of the budget.

The third way, withholding bills from enrollment, allows the Congress to see the cumulative effect of spending bills before completing action on the budget and eliminates the vulnerability of the last bill scheduled for floor action. It is a mechanism that has already proved fairly effective in allowing the Congress to see the results of their actions, but it also contributes to the number of decisions required at the end of the process.

Finally, reconciliation at any time after the budget resolution is passed would add some flexibility. We believe this would be useful. Indeed, as a general principle, we would tend to favor less rigid schedules, with fewer hurdles to overcome when creating a budget. I cannot emphasize enough the importance of simplifying the Federal budget process.

FLEXIBILITY

If changes are made to the budget process to bring greater stability and control, as I have just discussed, there will also be a need for flexibility in the process by which decisionmakers can adjust to contingencies and changing conditions. Flexibility is already built into the budget process through existing adjustment mechanisms. I wish to particularly focus on (1) the need to control the indexation of entitlements through the budget process and (2) possible changes to the impoundment process. I will also address the broader question of the effect budget decisions have on the exercise of our fiscal policy.

Adjustment mechanisms

The budget process should allow greater flexibility for the Congress and the Executive to make adjustments to policy and program levels during the budget cycle. Adjustment mechanisms are useful in an annual and even more so in a biennial budget.

A good budget system must allow for changes. During the course of the budget cycle conditions change. This often creates the need for a change in direction of policy and programs.

Some adjustment procedures are already available. For instance, procedures for changing the budget resolution and legislative veto can aid in adjusting policy, and procedures such as supplementals, rescissions, deferrals, transfers, reprogrammings, and automatic adjustments for technical reasons can aid in adjusting programs.

Though these adjustment mechanisms do offer greater flexibility, and can be useful tools during the budget cycle, if the adjustment process becomes simply a vehicle for reopening decisions, the advantages it affords will be lost.

Reopening decisions too frequently undermines stability. To avoid or discourage this, there should be specific procedures and someone responsible for managing the adjustment process, such as the appropriations committees. In considering this issue, however, we urge that the adjustment process be limited to matters that cannot await the next budget cycle.

I wish to now offer some thoughts regarding two adjustment mechanisms in particular--indexing entitlements and impounding funds.

Indexing entitlements

Allowing the Congress and the President flexibility in setting cost-of-living adjustments for indexed entitlements through the budget process would ultimately achieve increased control over a major portion of the budget. This view is based on the following considerations.

1. Explicitly indexed programs now account for about one third of the budget. To exclude from consideration the cost-of-living adjustments unnecessarily limits the options available to the Congress as it seeks ways to constrain the budget.
2. The indexation of entitlement programs has been a major factor in the growth of that portion of the budget that is uncontrollable in the short run. Adjustments to indexation are, we believe, indispensable if the Congress and the President are to regain permanently an increased measure of short-run control over the budget.

One basic option available for adjusting the indexation process would be to give the President authority to modify the amount of the index through the budget process. The President could be authorized to recommend a specific percentage adjustment to benefit levels that would take effect unless the Congress acted to change it.

Clearly, any reduction in indexation could adversely affect the lives of truly needy recipients. One way of overcoming this problem is to authorize the President to use differential rates of indexation for different programs or at different levels of income of beneficiaries. The overall objective, however, should be to permit the President and the Congress each year to make decisions on indexation based on budgetary and economic considerations.

The impoundment process

The impoundment of funds has been a mechanism by which the executive has tried to adjust the outcome of the budget process. Enactment of the Impoundment Control Act constituted an important step in the Congress' reassertion of greater control over the Federal budget. The Act generally requires that impoundments be reported to the Congress and gives ultimate control through endorsement or denial of reported proposals.

There are two types of impoundments, rescissions and deferrals. Proposals to rescind budget authority allow the withholding of budget authority for 45 days of continuous congressional session after the day on which the request is first received by the Congress, during which the requisite legislation may be enacted. Deferrals allow the withholding of budget authority until rejected by either House. However, they may not be used to rescind by withholding for the entire fiscal year budget authority provided only for that fiscal year.

Since passage of the Impoundment Control Act in 1974, GAO has been heavily involved in the operation of the Act, as it is the agency statutorily responsible for reviewing Presidential impoundments. Specifically, GAO receives from the President copies of special messages, containing one or more proposed impoundments that he has transmitted to the Congress. As promptly as practicable, we issue impoundment reports under section 1014 of the Act, 31 U.S.C. 1404, which inform the Congress of the facts surrounding the proposed impoundments, including their probable effects. We also report on the legal sufficiency of proposed deferrals. Section 1015, 31 U.S.C. 1405, authorizes the Comptroller General to report to the Congress any impoundments that the President has failed to report. We also regard section 1015 as authorizing the Comptroller General to report to the Congress when an impoundment report by the President has been misclassified, e.g., a deferral should have been reported as a proposed rescission. Section 1016 of the Act, 31 U.S.C. 1406, authorizes the Comptroller General to sue the Executive to compel the release of impounded funds when such release is required by the Act.

In addition to our reports on special messages, we respond to congressional inquiries concerning the proper operation of the Act and issue legal opinions on issues of general application in the impoundment area. Recently, we have experienced unprecedented activity and congressional interest in the impoundment process, as the executive branch makes increasing use of its authority under the Act as a budgetary tool. We have attempted to expedite our reports, including those on the President's special messages, by informal discussions between members of our legal and audit staff, and agency and OMB officials.

Although we believe that the basic framework of the Act is sound, we suggest consideration of an alternative that preserves the balanced relationship between the executive and legislative branches, while improving operation of the Act. Under the alternative, provisions in the Impoundment Control Act concerning rescissions would be repealed and all withholdings of funds would be proposed as deferrals, with the President indicating which of the deferred budget authorities he wished to have rescinded. Our alternative would also amend the current law (1) to require for each deferral of fiscal year funds that the President specify a date beyond which it would be impractical to obligate the funds involved and (2) to require that the funds be made available for obligation on the specified date if there has been no final legislative action on a request to have budget authority rescinded.

Our alternative retains two basic elements of the present Act: (1) rescission would result only with the concurrence of both Houses of Congress and (2) withholdings of budget authority may be defeated by either House.

Our approach recognizes that the Congress might oppose a proposal to rescind, but support a delay in the use of the funds. Present law does not provide the Congress with this option. Administration of the Act would be simplified by eliminating the need to distinguish between deferrals and rescissions and by eliminating the need for the Congress to respond within a fixed time.

If the basic framework of the Act is to be retained, we suggest a number of refinements to streamline and clarify its operation.

(1) Exclude budget authority provided by continuing resolution.

The practice of funding by continuing resolution has effected the administration of the Act. In the past 2 years, there has been an unprecedented number of impoundment proposals reported to the Congress, many of which involved funds available under continuing resolutions that were deferred pending congressional consideration of final funding levels. In our 1977 report to the Congress on the Act, we recommended that budget authority provided by continuing resolution be excluded from the Act. Our recommendation was based on the distinction between permanent appropriation acts, where Congress has decided on a final funding level, and continuing resolutions, which by definition are interim measures and often do not provide specific amounts for specific programs.

(2) Amend the period for congressional consideration of rescission proposals to 60 calendar days.

Under section 1012(b) of the Act, 31 U.S.C. 1402(b), budget authority proposed for rescission may be withheld from obligation during the 45-day period of continuous congressional session provided for congressional action on the rescission proposal. Calculating the period in this way causes significant extensions of the proposed rescission and its withholding period when the period is interrupted by congressional recess. Furthermore, it is difficult to accurately predict when the period will expire due to the unpredictability of the congressional schedule.

We suggest that sections 1011(3) and 1012(b) of the Act, 31 U.S.C. 1401(3) and 1402(b), be amended to provide that the period during which funds can be withheld pending congressional approval of a rescission bill be calculated in terms of calendar days. This would allow all parties to the impoundment process--Congress, the executive branch, and GAO--to determine at once the latest date for withholding funds proposed for rescission.

(3) Allow affirmative rejection by one House of rescission proposals.

Under the present statute, the only means for the Congress to reject a rescission proposal is to allow the 45-day period to expire without congressional approval of the proposal. We believe the Act should be amended to allow the Congress to reject a proposed rescission without waiting for the statutory period to expire. This could be done by a simple resolution of either House expressing its rejection of the proposed rescission. In our view, incorporating such a feature into the Act would minimize the impact on programs of withholding funds proposed for rescission for which no rescission bill is passed.

(4) Require the President to stipulate a date beyond which deferred fiscal year budget authority could not be prudently obligated.

Section 1013(a)(3) of the Impoundment Control Act, 31 U.S.C. 1403(a)(3), requires the President to specify in a special message the period of time during which budget authority is to be deferred. Under the present procedures, the President informs the Congress as to whether the proposed deferral will be for the entire year or for part of the year. Without further specifying the duration of a deferral, a potential for abuse exists since at some time they may mature into de facto rescissions because of limitations on the period of availability of the budget authority.

We recommend that section 1013 be amended to require a statement specifying how long a deferral is to last in the case of a part-of-year deferral and, in the case of a deferral proposed for an entire year, whether a similar action is contemplated for the next year. In addition, the

Act should provide that at the end of the specified period of a proposed deferral, the President should either release the funds or notify the Congress that the funds will be withheld for an additional period of time. Implementation of this recommendation would better inform the Congress of the precise duration and potential impact of the proposed deferrals.

> (5) Provide, where the Comptroller General reports that an improperly classified impoundment has been sent by the President, that any time limits imposed by the Act be measured from the date of the President's original proposal.

Section 1015 of the Act, 31 U.S.C. 1405, authorizes the Comptroller General to file a report to the Congress when the President has transmitted a special message but has incorrectly classified the impoundment proposal. Although the Act does not specify a date, it is our position that any time limits under the Act commence on the day after our report is received by the Congress.

We suggest that the Act be amended to specify that the effective date is the date of the President's report. This would discourage any attempts to lengthen the withholding period by initially classifying a rescission proposal as a deferral. Such an amendment would also help to clarify that a Comptroller General's report that the President should have reported a rescission has the same effect as a special rescission message transmitted by the President.

Fiscal policy considerations

In addition to the budget process and administrative reforms being discussed in the Congress, there is another very pressing issue I would like to discuss today. That is the fact that our economy is in the midst of a severe recession; yet, we persist in sending mixed signals to the financial and business communities by simultaneously embracing a restrictive monetary policy and a stimulative fiscal policy. Many economists predict the economic uncertainty will continue. The conflict between monetary and fiscal policies will increase as future budget deficits overstimulate an economy already weakened by a restrictive monetary policy designed to squeeze out the recent inflationary trends.

I believe there is a growing recognition that it is the mix of fiscal, monetary, and, at times, income policies that affect economic conditions. In the final analysis, integration will depend on the Administration, the Congress, and the Federal Reserve Board agreeing on the long-range goals and policies necessary to achieve those goals.

In response to a congressional request, we consulted a wide range of senior economists and convened a panel of experts to discuss current economic conditions and the costs and benefits of policy changes. Government, business and financial leaders were consulted for their perspectives on current policy, in particular on the effect of high interest rates. Simulations were run on macroeconomic models to test several options for monetary and fiscal policy.

We shared the view that action is needed to reduce substantially the deficits projected for future years. We took no position at that time on the detailed composition of actions needed to close the future budget deficits. As a practical matter, however, we believe it will be necessary for the Congress to constrain the growth of both entitlements and defense spending, while also generating additional revenues. Therefore, if these deficits are to be constrained to levels consistent with long-term economic growth, even greater restraint will be required in other areas, or further increases in revenues beyond those that would otherwise be necessary.

Despite concern over the size of projected budget deficits, few economists support a constitutional amendment to require a balanced budget. This reflects both a general skepticism that such an amendment would achieve its stated purpose and the concern that, if effective, the amendment would constrain inappropriately the Federal Government's ability to carry out an effective economic policy.

In general, the dominant view supports an approach to economic policy built around the following principles:

1. Policy should be based on a long-run objective of moderating inflation.
2. Unemployment should not be reduced by either expansive monetary or fiscal policy to levels where inflationary pressures are renewed. The exact magnitude of a non-inflationary unemployment rate is the subject of some debate among economists, but it is now generally thought to be substantially above the 4 percent to 5 percent rate traditionally used as a benchmark.
3. Adjustments in policy should be gradual and moderate so as to minimize uncertainty and instability in financial markets and investments.
4. Long-run growth should be a paramount goal in policies to stimulate investment in the economy.
5. Monetary and fiscal policy should be based on a consistent and achievable set of long-run employment, price level, and economic growth goals for the economy.

In the present circumstances, these principles suggest a moderate easing of monetary policy and a concerted effort to reduce substantially the budget deficits now projected for fiscal year 1984 and beyond.

CLOSING

Because the budget process is so integral to the way Congress behaves as an institution, reforming it will require a bipartisan consensus within the Congress and a careful balancing of conflicting objectives. I understand your Committee has been deliberating with these requirements in mind. Consequently, this forum has been an excellent vehicle for furthering the Congress' understanding both of the issues and of some innovative approaches the Congress might wish to take toward simplifying its budget process, allowing more time for the Congress to do its work and to strengthen discipline and enforcement within its budget process.

I commend the Chairman and this Committee for the thoughtful effort which has gone into initiating the long and difficult--but necessary--process of improving the congressional budget mechanism. I offer whatever assistance we can provide as you continue with this work.

Chairman **Domenici**. Senator Gorton?

Senator **Gorton**. While you have been speaking, I have tried to look through some of the details of your statement here and superficially, at least, they seem to include more a range of options than a specific set of recommendations to us, although there are the latter as well.

If you could prioritize though which are your recommendations and give us the one, two, or three you consider most important, I think that would be particularly helpful to us.

BUDGET PROCESS NEEDS MORE STABILITY

Mr. **Bowsher**. Yes. Your observation is right, Senator, and I would like to try to do that if I could.

No. 1, I think, is stability. In other words, I believe that if we could bring a greater amount of stability into the process, that would go a long way in achieving more efficient Government and also more efficient operation of our overall economy in this country. I think our States and our units in the private sector that are dependent on the Federal budget and in the execution, you might say, of Federal programs themselves, are being hurt by the lack of stability that we have in the process right now, such as these funding gaps. I really think that if we could get away from some of what were once thought to be mechanical hurdles, that would help push the process along or force this kind of action versus another action, I think that we would have a much more stable process and this would allow better Government operations, and also help our economy. Because I think the Federal budget has such a big impact on the economy, stability would be one of my No. 1 priorities for your consideration.

CONCENTRATE MORE TIME ON BUDGET EXECUTION

I think No. 2 might be the need for concentrating more time on budget execution. In other words, how is the executive branch really spending this money. When I was here at the end of Dr. Rivlin's testimony, Mr. Chairman, I heard your comment about maybe looking at the authorizations and the appropriations for more than 1 year. I remember when I served as Assistant Secretary of the Navy for a while, we literally had a series of appropriations, some of which were annual appropriations, some of which were multiyear appropriations, but we went through the process repeatedly. I tell you there is a lot of wasted time in the executive branch as there is also over here in the Congress. Instead of recycling decisions on many of these programs, I think you should really be looking more at how it is being carried out. And I think more congressional oversight is needed. More time is needed for that on how the executive branch is carrying programs out and less recycling the basic decisions. Let me give you an example.

Once the Secretary of Defense and his people make a decision for a major weapon system, and the Congress makes that decision, too, I think the important thing is concentrating on how well the services are carrying out the execution of that program. We should not constantly relook as to whether you want that weapon system again, which I think so often is where the focus gets when you have an annual review.

SIMPLIFY IMPOUNDMENT AREA

I think the impoundment area is one, also, that we would like you to consider. Because we have to spend a lot of time making a decision on whether it is a rescission or a deferral, and I am not sure that was intended when that process was put in initially. We have suggested a simpler approach which we think might go to what originally was intended. I think with the experience that we have had now for several years, we believe that this is the kind of hurdle and the kind of instability that we bring to a program. If we look for a way of simplifying the procedure, it could help everybody.

Senator GORTON. Thank you.

Thank you, Mr. Chairman.

Chairman DOMENICI. Senator Quayle?

BIENNIAL BUDGETING

Senator QUAYLE. Thank you, Mr. Chairman.

I was just going through your testimony on the biennial budget. I think your statement, on page 9,[1] certainly summarizes the reasons it is needed; allow more time for congressional decisionmaking and oversight; reduce the number of times the Congress must act on the same programs; provide more time for long-range planning; and provide an opportunity for better budget analysis, financial and operational planning, budget execution, and program review by both the Congress and the executive branch.

I notice that you said you testified on S. 2629. Is that Senator Roth's bill?

Mr. BOWSHER. Yes.

CONSIDER APPROPRIATIONS IN FIRST YEAR

Senator QUAYLE. And in that, I guess appropriations are in the first year?

Mr. BOWSHER. That is correct.

Senator QUAYLE. I understand from casual reading that your main objection to putting the appropriations in the second session of Congress is, as our chairman pointed out, the advantage of having it as far away from elections as possible. Is that the main objection to having the appropriations in the second year?

Mr. BOWSHER. Also the timing. If you have it in the second year, you could easily slip into the problem that we have at this time.

In other words, we changed the fiscal year so that we would not have to go to continuing resolutions. I think if you have the appropriations at the end of your 2-year process, you could end up having a 2-year process and still be on a continuing resolution. I think having it in the first year, because of the off election year, and the fact that you want to get it done, and even if you did not get it done, at least then you are not quite into the next fiscal year, it would give you some flexibility at the end of that first year. So those are the two main reasons that I would strongly urge consideration if you go to a biennial budget of getting the appropriations in the first year.

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[1] See p. 154.

POLITICAL WILL TO TACKLE APPROPRIATIONS BILLS BEFORE ELECTION

Senator **QUAYLE**. There would be some merit to it if in fact it could be accomplished, given the fact that spending bills have always been done right before elections; they are probably always going to be done before elections. Same as tax bills. Normally it is tax reduction rather than tax "equity." Isn't that what we call it this year? Expanding the revenue base, tax equity. Usually it is tax reduction. We really must face reality; we are going to have appropriations in the second year whether we put it in the first year or not. Word was mentioned here this morning that it is the political will that counts; the political will dictates that we will tackle appropriations bills right before we prepare to run for election. Therefore, I opt for a system that will get as much data and information and momentum into a resolution, having some policy, oversight, and authorization decisions already being made before the appropriators begin to appropriate, and allowing a little bit more leeway.

In other words, if there is any other reason outside the political issue, I wish you would share it with us. Why else should appropriations be in the first year? But I guess that is basically it.

Mr. **BOWSHER**. Basically it is to try to get appropriations passed. You see, with his bill, he goes to a calendar year so you get some additional time there. So you have a full year, you might say, to try to get the process through. I would think that, with the other features in it, it might be doable.

STOPGAP MEASURES

Senator **QUAYLE**. Could you give us a little bit more discussion as to how these stopgap fundings measures affect efficiency in Government?

Mr. **BOWSHER**. Well, I think they cause a lot of problems because each time that we have them, we have an awful lot of people that are having to worry about possibly shutting down the Government rather than continuing operations. One of the problems, I think, that we have today is that people do not know where they stand in regard to programs of the Fedeial Government. They think the program is going to go on, they think it is going to go at this level, but they are not sure. And each time we have one of these funding gaps, we have more uncertainty and more loss of what I would call efficient use of our work force in the Federal Government, and also in the private sector.

I think there is a lot of that. When I was back in the private sector, I worked with a fair number of State and local governments. They are dependent on the Federal budget. The more uncertainty and the more these funding gaps and everything that we have at the Federal level, the more it makes it difficult for them to do their jobs.

Senator **Quayle**. By making it more difficult for them to do their job, don't they lead to inefficient expenditure of the taxpayers' dollars?

Mr. **Bowsher**. Yes.

GOVERNMENT COSTS OF FUNDING GAPS

Senator **Quayle**. Has anyone done a study to see what this costs the Government?

Mr. **Bowsher**. Yes, we have done a study, but we have never really been able to get what I think is the total cost. In other words, it is very hard to know where people are spending their time as they are coming up to these kinds of funding gaps. But, we have done studies and we could send them over to your office, Senator. We would be happy to do that.

Senator **Quayle**. Is there any kind of a ball park guesstimate as to the cost of the continuing resolution that we are going to be faced with next week—December 15, is that what we have agreed?

Chairman **Domenici**. I do not know if they have agreed. I think that is the suggestion.

Senator **Quayle**. And then put a March 30 date on there?

Mr. **Bowsher**. Yes.

Senator **Quayle**. Do you have any way, from a program evaluation viewpoint, what is the continuing resolution really going to cost, that is, additional costs to deal with these programs?

Mr. **Bowsher**. Let me send you over the material that we have done, but obvicusly offhand I would not want to throw out a figure right now.

Senator **Quayle**. But there is no doubt that it is costing us a considerable amount of money?

Mr. **Bowsher**. Yes.

Senator **Quayle**. What about the current process?

Mr. **Bowsher**. I do not know whether you are aware, Senator, but some years back the decision that ruled on these situations was the Comptroller General's decision. We took the position that it was the congressional intent for Government to continue. In President Carter's administration they asked the Attorney General for a ruling, and he took a stricter view and that is the one that everybody is abiding by now.

I think the Congress ought to reconsider that. I really think that the idea that we have to have that strict of an interpretation ought to be looked at. One of the things that we said in this statement is whether you would not want to consider some kind of a continuing authority for the Government when you hit some of these areas. But I really think the Civiletti opinion is typical of the type of decisions and some of the hurdles that have been put into the process, thinking that they would force Congress to act and move ahead. Over the long run, and what you have now, are too many hurdles in the process rather than a sustained, stabilized process.

Senator **Quayle**. Thank you very much, Mr. Chairman, and I am interested in trying to get a figure on what these continuing resolutions cost.

Mr. **Bowsher**. We will send you the material that we have worked on.

EXCLUDE BUDGET AUTHORITY UNDER CONTINUING RESOLUTION FROM IMPOUNDMENT

Chairman DOMENICI. Mr. Bowsher, I have a question on the issue of impoundment, and then I would like to discuss the continuing resolutions with you.

In your testimony, you indicate that one of your recommendations, I think it is found on pages 41 to 44,[1] that we exclude the budget authority under a continuing resolution from impoundment.

I do not understand why you would recommend that.

Mr. BOWSHER. Well, again, we think that the Congress, when it is operating under a continuing resolution, wants the operations of the Government to go forward. When impoundment actions come over right away, we are working on things that hopefully would be resolved very shortly. So again, we have all kinds of efforts going on that might eventually get decided by the Congress.

Now that is on the assumption that we will not be going all year on continuing resolutions. If we are going to continue the pattern that we have been in the last couple of years, I am not sure that this is a good recommendation. But if we could——

Chairman DOMENICI. That is my question.

Mr. BOWSHER. Yes. If we could get the continuing resolutions down to a reasonable number of days, then I think this would be a simplifying procedure.

REASONS FOR CONTINUING RESOLUTIONS

Chairman DOMENICI. You know, we all talk about continuing resolutions as some kind of nemesis and we seem to be suggesting that there is one single reason for them and that it is the process that imposes on the appropriators such a short timeframe that we cannot get anything done.

I wonder who would have the basic skill to go back and tell us, in a credible way, why continuing resolutions were the order of the day for the last 10 years? Do you think you could do that?

I think that we are way off base in assuming that continuing resolutions have resulted from one single reason. It is being implied recently that the reasons are budgetary.

Mr. BOWSHER. Yes.

Chairman DOMENICI. I think I would admit, without anybody checking, that last year it was. I have a serious doubt that it is this year.

Mr. BOWSHER. Mr. Chairman, let us give that——

Chairman DOMENICI. It has been 2½ half months since the first budget resolution, and my understanding is that we have not passed any appropriations bills in both Houses. Now, that has nothing to do with any process, I do not think, other than the appropriation process.

My further recollection is that 3 years out of the 10 that I have been here, four-tenths or more of the Government was on a continuing resolution and, lo and behold, it had to do with nothing more than legislating on appropriation bills, to wit, abortion and school prayer.

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[1] See p. 186.

Mr. BOWSHER. That is correct, Mr. Chairman, yes.

Chairman DOMENICI. I do not think you cure any of those with the process.

Mr. BOWSHER. Yes. It might be very helpful, and let us see if we could do something like that and we will be back to you.

Chairman DOMENICI. You will do that for us and consider it to be an addition to your testimony?

Take 10 years. How old is the Budget Act? Take the Budget Act, 1974.

Mr. BOWSHER. 1974, right.

Chairman DOMENICI. And go up to now and search the——

Mr. BOWSHER. Would you want us to go back a few years before the Budget Act? Because we had continuing resolutions then.

Chairman DOMENICI. Excellent. And go back and pick a few years before and give this committee the benefit of your reasoning as to why we had them, as best you can, and there may be multiple reasons.

Mr. BOWSHER. Sure.

Chairman DOMENICI. We would want them.

I think last year there was great confusion over what the mark was and what the President wanted and what the budget resolution anticipated, and that is understandable. It was a very, very complex resolution, as you know, probably the most complex in history.

This year it has been 2½ months between the resolution and now, four—you can certainly pick out four or five that we went 3 weeks in the Senate on either filibuster posture, constant debate on either school prayer or abortion, and then the conference could not resolve the issue. And when they resolved it one time, the Congress would not accept their resolution, and that will be in the record. I think it would be interesting to have that all documented, if you could.

Mr. BOWSHER. We will try to do that.[1]

CBO AND GAO STUDIES

Chairman DOMENICI. Anybody have any further questions?

I have one last one.

Do you see any growing conflict between the Congressional Budget Office type studies and the kind that you feel the GAO is supposed to do?

Mr. BOWSHER. From time to time we look at some of their work and we look at some of our work and we say, whoops, are we duplicating?

Generally, when we push in there and find out exactly what they did and exactly what we did, it is not duplication, and we try to avoid it.

In other words, as soon as we see any possible duplication with either CRS, CBO, and ourselves, we try to meet with them and make sure that that duplication is not happening. I think the B-1 bomber is one of the best examples. Last year, we were asked by the Congress to look at the estimate of the Air Force and come up with what we thought had been left out. We pointed out some things that we thought had been left out. Then the Congress asked CBO to price that out in escalated dollars. They did and they started with the GAO configuration, you might say. But reading the newspapers, you could easily get the idea that there was a GAO study on the B-1 bomber and a CBO study on the B-1 bomber, and they were duplicative. They were really one adding on to the other.

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[1] See p. 303.

It is a constant problem that I think we have to work on. It is one that we want to avoid. I have met with Alice and Gil Gude and everybody, and although I would say in any given year we probably have some duplication, I can assure you, Mr. Chairman, that we are trying to avoid it and trying to be complementary to each other rather than——

Chairman DOMENICI. Is there upfront information between the two of you as to what you are starting to do? Do you know what they are undertaking in Congress?

Mr. BOWSHER. Yes.

Chairman DOMENICI. So you have an opportunity right then to say it is something that we ought to do or if you do it, we will not?

Mr. BOWSHER. That is right.

Chairman DOMENICI. I have no further questions.

Senator Gorton, do you have any further questions?

Senator GORTON. No.

Chairman DOMENICI. How long do you think it will take you and your staff to do that analysis?

Mr. BOWSHER. We will call you this afternoon. We will put our heads together here. I would not think it would be too long.

Chairman DOMENICI. You will let us know this afternoon?

Mr. BOWSHER. Ken Hunter says a week.

Chairman DOMENICI. A week. Boy, that is great if you can do it in a week. That is great. We will give you 10 days.

KEY PRIORITY IS SIMPLICITY

Mr. BOWSHER. If I could just make one last statement, going back to Senator Gorton's question to me. The key priority, I think, I keep in mind all the way through this process, is simplicity. Try to make the process somewhat simpler and a more continuing flow rather than more complicated. That is true in the executive branch, too.

I really think that a lot of the problems that we have in our Federal Government activities is that we have made some of our processes just too complicated and we are not allowing the people time to execute the programs the way they should.

Chairman DOMENICI. I thank you.

We stand in recess.

[Whereupon, at 11:33 a.m., the committee adjourned, subject to the call of the Chair.]

PROPOSED IMPROVEMENTS IN THE CONGRESSIONAL BUDGET ACT OF 1974

THURSDAY, SEPTEMBER 23, 1982

U.S. Senate,
Committee on the Budget,
Washington, D.C.

The committee met, at 9:38 a.m., in room 6202, Dirksen Senate Office Building, Hon. Pete V. Domenici (chairman) presiding.

Present: Senators Domenici, Gorton, and Metzenbaum.

Staff present: Robert Fulton, chief counsel; Nell Payne, staff attorney; and Lizabeth Tankersley, minority staff director.

OPENING STATEMENT OF CHAIRMAN DOMENICI

Chairman Domenici. This morning we begin the fourth day of hearings on possible reforms in the Federal budget process. Our witnesses today are Members of the Senate, and some of the members of this committee. Each of them have introduced legislation in this Congress proposing changes in the budget process and the Budget Act, all, from what I can tell, with the laudable intention of strengthening the process in which Congress makes its fiscal and budgetary decisions.

It is my distinct privilege to welcome as our leadoff Senate witness, Senator Bill Roth, the chairman of the Governmental Affairs Committee.

Senator Roth, we are delighted to have you, and we are most appreciative of not only your dedicated work, but that of your committee and your staff. We know we are going to have to do something with the Budget Act sooner or later, and frankly, I am pleased that you are in charge of the Governmental Affairs Committee because I know that if we get any reform, it will be responsible and moving in the right direction, and I welcome you.

STATEMENT OF HON. WILLIAM V. ROTH, JR., A U.S. SENATOR FROM THE STATE OF DELAWARE, AND CHAIRMAN, SENATE GOVERNMENTAL AFFAIRS COMMITTEE

Senator Roth. Thank you, Mr. Chairman.

Mr. Chairman, it is a great pleasure to be here today to discuss my legislation, S. 2629.[1] As chairman of the Senate Committee on Governmental Affairs, which of course shares jurisdiction over the Budget Act with you, I welcome our joint participation in the examination of the 1974 act.

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[1] See p. 524.

Before I begin my remarks today, I would like to congratulate you, Mr. Chairman, as well as the members of this committee for the exemplary way in which you have served the Senate, the Congress, and the American people. Your hard work and dedication has set high standards for the rest of the Congress and for the Congresses that will follow. I would like to emphasize my appreciation to the chairman of this committee in particular for all of his assistance and guidance last month in our reconciliation subconference. I cannot overstate the value of your contribution to the resolution of the issues, or my appreciation for your help. The Senate Budget Committee will never have a more able, dedicated chairman.

Chairman **Domenici**. Thank you very much.

STREAMLINE PROCESS SOON

Senator **Roth**. In addition to the obvious role assigned to this committee to work within the budget process, I believe the sensitive and responsible conduct of this committee has helped to protect the budget process itself. As I have said many times, I strongly believe that our current budget process is a vast improvement over the chaos which existed before its enactment. However, I do see ample room for improvement.

I will discuss the major problems I find in the current process in a moment, but first, I want to consider with you the fundamental question of whether this is the right time for the revision of the Budget Act. Should we amend the process in a time of policy turmoil, or should we wait until the storm subsides? My response to this question is that if we do not move soon to streamline the cumbersome aspects of this process, we run the danger of seeing it abandoned altogether. In the next few years, we will be faced with a multitude of difficult, complex policy decisions. There is no question that to address the problem of the burgeoning deficits, hard choices will be required of the Congress.

Frankly, my legislation is not designed to be an economic cureall. It would, however, allow us to make the necessary decisions in a more logical, rational way. The budget process has evolved as the fundamental process for setting national priorities. This is certainly one of the central roles Congress performs, but it is not, or should not be, the only function of Congress. My legislation would set a realistic timetable for the Congress to make the essential spending decisions while allowing time for our other duties and responsibilities. It would help provide much needed certainty to the financial markets and the rest of the country.

CURRENT PROCESS PROBLEMS

Last October, I convened hearings in the Governmental Affairs Committee to explore some of the problems of the current process. In addition to your insightful testimony, Mr. Chairman, we heard the concerns of several Members of Congress and other individuals with expertise in this area.

The problems we discussed last October have not gone away. In some ways, they are worse. Since our hearings last year, we have witnessed the November 1981 continuing resolution spectacle, when the Government ran out of money. And, here we are at the end of September with not even one appropriation bill through the Congress. During the past 5 years, not only has Congress not been able to pass the 13 appropriations bills within the Budget Act deadline, all 13 were not even passed by the end of the fiscal year they were intended to fund.

In the past 5 years, Congress has not been able even once to meet the deadline for the passage of the first budget resolution. The second budget resolution has been adopted more than 2 months after the September deadline for the past 3 years, well after the start of the fiscal year for which they were passed.

Now, Congress may be unable to meet these deadlines partly because of the lack of consensus on many of the fiscal policy issues. I submit, however, that Congress will not maintain a process that cannot accommodate the inevitable conflicts which will arise in a politically charged environment. A budget process which works only in periods of relative consensus will not survive.

TOO MUCH TIME DEVOTED TO SOMETIMES REDUNDANT DECISIONS

I believe it is increasingly clear that Congress attempts to make too many decisions each year and that many of these decisions are redundant. Last year, which I assert was typical rather than unusual, Congress passed a revised second budget resolution for fiscal 1981, a first budget resolution for fiscal 1982, a budget reconciliation bill, several appropriations bills, two continuing resolutions, a second budget resolution, and a supplemental appropriations bill. It is easy to see how these measures, Mr. Chairman, dominated the congressional schedule. I contend that many of these decisions are matters which could logically be combined or eliminated.

The extraordinary number of decisions required by the Budget Act effectively confuse much of Congress, and obviously much of the Nation, with regard to the condition of the economy. How can the public hold us accountable for our budget decisions when we consider at least three different budgets to fund a given year? It is confusing enough when we must constantly make necessary policy revisions. But in terms of the efficient use of congressional time, to pass two, or more likely three budgets for one fiscal year along with all the other spending measures, makes little sense.

This preoccupation of Congress with the budget process, including appropriations each year, also has the effect of physically limiting other business which Congress must consider. By devoting so much congressional time to sometimes redundant decisions, there is often not enough time left to consider other fundamentally important policy issues. Issues such as national defense and foreign policy, for example, are extremely complex, yet crucial to our Nation. Of course, the Federal budget will always be an arena for decision in these areas. What concerns me, however, is that because of spending time on budget decisions, Congress will not have sufficient time to do the groundwork to make informed, well-considered decisions on these issues. The same is true, of course, with respect to oversight.

Now, the profusion of activity which precludes so many crucial congressional activities also obscures the basic purpose of a budget process: to establish limits on Federal spending and revenues. The budget process has not been as effective as it could be in enabling the Congress to control the Federal budget.

As a result of the hearings last October, I formulated a comprehensive revision of the congressional budget process. This legislation is designed to address these concerns, making needed modifications while retaining the strengths of the existing budget process.

TWO-YEAR BUDGET CYCLE

Briefly, my legislation, the Budget Reform Act of 1982, would establish a 2-year budget cycle. The first session of each Congress would be devoted to budget and appropriations. Early in the year, the Congress would agree to a single binding budget resolution, which would prescribe spending and revenue limits for the 2-year period beginning in the next January. Within the framework of the budget resolution, the Congress would then approve an omnibus appropriations bill, which would combine the 13 annual appropriations bills into 1 2-year bill. The second session of each Congress would be devoted to considering authorizations and to oversight activities.

S. 2629 would allow each new President and Congress to put their policies into place in the first year of their respective terms. Under S. 2629, budget policy would go into effect in the second session of each term, as it now does under normal circumstances. I believe this approach to a biennial timetable would promote accountability to the public for budget decisions. Under alternative timetables, budget decisions would not actually go into effect until the election of the next Congress.

In order to enforce these spending decisions, reconciliation would be permitted any time after the binding budget resolution was passed. If budget conditions drastically changed, the budget resolution could be revised by a two-thirds vote of the Congress. The purpose of this provision is to force the Congress to review its spending habits and perhaps revise priorities instead of routinely revising the budget every time the wind changes.

My legislation would improve congressional control over the Federal budget. S. 2629 would bring spending of off-budget agencies into the unified budget. My bill does not encompass a credit budget format, although it would certainly not preclude it. I know that Senator Percy and others have done extensive work in this area, and I believe it has great merit.

In conclusion, Mr. Chairman, my legislation would streamline the cumbersome aspects of the current process while strengthening the overall control of the Congress over the Federal budget. S. 2629 would provide us with more time for oversight and for careful review of authorizations. Recipients of Federal funds would have a clearer basis for planning, a most important point, in my judgment. Stability and coherence would be promoted in the broad framework of our fiscal policy decisions.

Last month, Alice Rivlin, Director of the Congressional Budget Office, and Charles Bowsher, Comptroller General, testified before the Governmental Affairs Committee on my legislation. Their testimony on S. 2629 was very favorable.

As chairman of the Governmental Affairs Committee, which has jurisdiction over changes in the Budget Act along with this committee, I believe S. 2629 embodies the direction in which we need to progress on budget reform. I hope to hold additional hearings early next year on this proposal. I would hope the Governmental Affairs Committee would report a comprehensive budget reform measure early next year.

I hope we can continue to work closely with the leadership and members of this committee to formulate the needed change in this area. Clearly, as key players in the process, this committee has a fundamental contribution to make to any ultimate reform, and I know we will all benefit from your insights and recommendations on this issue.

Thank you.

Chairman **Domenici**. Thank you very much, Mr. Chairman.

Senator Metzenbaum?

OFF-BUDGET ITEMS

Senator **Metzenbaum**. Mr. Chairman, I appreciate very much the approach of Senator Roth and others who will testify this morning in connection with changes in the budget procedure.

I came specifically, not to comment on the proposal of Senator Roth as he made it, but to urge upon you in a very conciliatory manner, the necessity for this committee to take some prompt action in connection with the two items that I think have a tremendous impact upon the budget.

One item has to do with the off-budget issue that Senator Gorton is providing leadership on, and frankly, I think because of the priorities of time around here, has not been able to get this committee to take that issue up as it should, and I would urge, as strongly as possible, that we do so, probably not until after the first of the year, when I suppose none of us know for certain who will be the chairman of this committee, but I do not think it is possible that you will continue in this position.

Chairman **Domenici**. I am glad to hear that. I appreciate that.

CREDIT CONTROLS

Senator **Metzenbaum**. Not impossible. I did not say probable, but not impossible. And neither you nor I know the answer to that question.

The second matter is one that I think you can do much to help on at this point, and that is the total failure of our Government to have any knowledge whatsoever as to the amount of debt that is outstanding to the Government. The manner on which it—where it is, and who owes what to whom, and probably even as important as the question of where it is, its condition that we have no way at the present time of determining when the—when school loans are in default, when small business loans are in default, when agricultural loans are in default, and what methods, if any, are being used in order to collect those funds, and I just believe it is a terrible way for us to be doing business.

I attempted to move on this subject, and made some headway during Senator Muskie's leadership of this committee, but I cannot urge upon you, and I see Senator Gorton has now arrived, and I just mentioned your name, Senator Gorton.

Chairman DOMENICI. His not mentioning of it was in a good way.

Senator METZENBAUM. Not discouraging at all.

I think that this whole question of off-budget items, and the whole question of credit controls, and by credit control, I mean collecting, finding out what is owed to the Government, and seeing to it that there is some orderly procedure so that each of the parts of our governmental operations have a sane method of determining when there is a bad debt, when it should be written off, or when some collection steps should be taken. Now we have an absolute hodgepodge, and I just urge upon you, Senator Gorton, to provide the leadership in this area, and I pledge to you to do everything possible, in my own way, to be cooperative and be helpful.

Thank you, Mr. Chairman.

SIGNIFICANT CHANGES REQUIRE AMENDMENT TO BUDGET ACT

Senator GORTON. Mr. Chairman, Senator Metzenbaum is very concerned about this issue, from before the time I came into the Senate, and in fact, led the preparation of a report on this subject in the last Congress. We will have, as I believe he knows, as a part of these hearings, the formal report of the Task Force on Federal Credit, which you organized, and which I think follows the very philosophy which Senator Metzenbaum has laid out.

Our frustration, of course, is that at least some of the most significant changes which we recommend would require an amendment to the Budget Act.

We are all concerned about whether or not we can afford to bring up amendments to the Budget Act at this point or in the near future. My own inclination, and I rather suspect I follow Senator Roth's views on this subject as well, is that it may very well be time, even though there is a certain risk, to do exactly that, and that changes in the way in which we treat the Federal programs will be essential to any reforms in the budget.

Senator METZENBAUM. We might be able to figure out a way to offer some amendments at the time the budget matter is before the Senate, provided that everybody is in agreement that such an amendment be accepted, without opening a Pandora's box.

Senator GORTON. I hope so.

Senator METZENBAUM. And I was really saying to the chairman, I feel that this is an area where his leadership and help is so very much needed, I think it would serve our Nation well, and that was in no way to discourage the able leadership that you have given on this subject during this session.

Chairman DOMENICI. Senator Roth, do you have any observations on that issue?

Senator ROTH. No. I am very sympathetic to what they are discussing. I think it has great merit, but would like to study it further.

Chairman DOMENICI. Well, I think the issue is ripe for solution. I hope we do not think that the budget process can solve all the problems that you described, because obviously many of those are a matter of administration, a matter of substantive laws in the field, a matter of interagency relationships that have grown up, that are going to take years to solve, but it is the matter of forcing these things into one comprehensive area where they can all get looked at, and where their relevance to a budget, the Federal Government's indebtedness, and the Federal Government's involvement in the credit markets will be analyzed. Obviously it is a very big missing link, and ought to become part of the process.

Senator Gorton, did you have any questions?

Senator GORTON. No, thank you, Mr. Chairman.

INABILITY TO GET THINGS DONE

Chairman DOMENICI. Thank you, Senator Metzenbaum.

Senator Roth, I am not going to ask you questions about the 2-year approach, because obviously it is very well explained by you, and I would suggest that we have had testimony in the previous three sessions. It goes both ways, and we have had expressions from members of this committee, whose wisdom I greatly respect, indicating that the 2-year cycle may indeed not work as you think, and as I in the past have thought and advocated, principally because the economic assumptions are so variable—vary so greatly, that you would be busy modifying things and taking supplementals and the like, and perhaps not accomplish as much as we would hope in a 2-year cycle.

With reference to the congestion which prevents us from getting our work done, we should have, from the GAO, very soon, and we will share it with you promptly, an analysis of every year since the Budget Act, and then 5 or 6, or maybe even 10 years before, on paper, an explanation of what has caused the delays in appropriation processes, as best GAO can extract it from the legislative history.

I think it will be enlightening, because I do not think it is a new phenomenon brought upon us by the last couple of years, when we have had to make some major policy changes in a budget resolution, and therefore had the kind of activities that you were so familiar with, in 1981 and again in 1982.

With reference to the first budget resolution, and its timeliness, I do note that in 1976–77, the first resolutions were on time; 1978, they were 2 days late; 1979, 2 days late; 1980, 9 days late; 1981, slightly less than a month late; 1982, about 6 days late, and then in 1983, slightly more than 1 month late.

Now, your testimony with reference to that is true in spades when you are talking about the second resolution, there is no question, and the efficacy of the second resolution in the past, what it has really accomplished, is certainly very questionable, also. But we will share that analysis with you.

I do appreciate your understanding and your testimony, in that it clearly does not focus in on the exclusive problem of our inability to get things done. It does not say it is the budget problem process, per se, but the whole process that everybody thinks is the budget process, which includes authorization bills, appropriation bills, and budget resolutions. I mean the whole thing is congested.

We have got to do our share in redoing the Budget Act, to try to undo that. Some of it is outside the scope of the budget process itself, and is up to the willingness of the committees and leadership and the like. But I want to pledge to you that we are going to work very closely with you. Hopefully you will still chair Governmental Affairs, and I may be privileged to chair this one—I would say I think it is probable; in that regard I disagree with Senator Metzenbaum, who only thinks it is possible. But in any event, we will work together, and I thank you very much for your help.

TWO-YEAR PROGRAM HAS GREAT MERIT

Senator **Roth**. Thank you, Mr. Chairman.

Let me just make one comment, because anything contained in my testimony is not in any sense a criticism of this committee.

I think, as I said in my opening remarks, you indeed have done extraordinarily well under most critical circumstances. I do think that as chairman of the Governmental Affairs that we have a serious, dangerous imbalance in not spending adequate time on other matters, and that is one of the reasons that I think it is important that somehow we streamline the process.

I personally am of the conviction that 2 years is the answer. I understand the problems of economic analysis. Sometimes I doubt that it is that good for even a 12-month period.

Nevertheless, I think we have to admit that the fiscal policy of this Government has an extraordinary impact on the economy as a whole, and that one of the crying needs is to have some certainty in that area. It is not always going to be possible. I suspect that there will probably always be some modification. But modifying is much easier than going through the entire process. Therefore, I think there is great merit to the 2-year program.

In closing, let me just say that we look forward to working with you in trying to make a budget process that will do even better than now.

Thank you very much.

Chairman **Domenici**. Thank you very much.

Senator Moynihan cannot be here, and he has asked that his statement with attachments be made a part of the record, and without objection we will do that.[1]

I am informed that Senator Percy cannot get here until 10:30, and Senator Dole is in markup, and will submit his testimony,[2] so we are going to be in recess until 10:30, or until Senator Percy arrives. If he arrives sooner, we will convene and start again.

Senator Percy, we are ready to hear your testimony. You have been preceded by your chairman, the chairman of Governmental Affairs, Bill Roth, and Senator Dole has been delayed. Hopefully, he will make it. A number of Senators will appear today. We look forward to your testimony.

STATEMENT OF HON. CHARLES H. PERCY, U.S. SENATOR FROM THE STATE OF ILLINOIS AND CHAIRMAN, SENATE FOREIGN RELATIONS COMMITTEE

Senator **Percy**. I thank you, Mr. Chairman, very much indeed, and Senator Gorton. It is a privilege and an honor to be here with you to talk about a subject that is extraordinarily important to every American. I think they all realize their well-being is tied up with the well-being of the Government of the United States of America.

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[1] See p. 475.

[2] See p. 459.

For 25 years I have been a member of the Business Council, which counts among its members the largest industrialists, businesses, and banks in the country. In a recent report, the council said the future of the economy depends upon the actions of Congress in bringing down the deficit. With the private sector testifying to that fact, then we know the responsibility lies in our hands. There is no greater burden placed upon any committee than has been given to the Budget Committee. The legislation enacted in 1974 directs your committee to see that we do have a budget that we adhere to, and it is with your help that we are working toward a balanced budget and a sound economy.

I would like to say, at the outset, that these hearings could not come in at a more appropriate time. Federal spending practices have been virtually the sole business of Congress for over 2 years now, and the Budget Act has been used in ways not originally conceived. It had far more flexibility than we thought when we wrote the act in the Governmental Affairs Committee. I have supported every interpretation that has given that increased power to this committee.

When I came to the Senate, it was the first time in my life I had ever worked without a budget. I served on the Appropriations Committee for a year, and I was just aghast that we never had a meeting of the whole Appropriations Committee. We were just 13 separate subcommittees, each fighting for more money. At the end of each Congress, the appropriations bills were just pushed through. It took months to figure out what we had done. All of this was to have been stopped under this budget procedure. I was bound and determined, after serving on the Appropriations Committee, to work with the Governmental Affairs Committee to put businesslike practices into the business of Government.

Your hearings today are also important for another reason. The Senate, just this summer, passed Senate Joint Resolution 58, calling for new constitutional procedures to bring deficit spending under control.

As we all know, that proposed constitutional amendment would not in and of itself balance the Federal budget. Only Congress can do that, if it has the will to do it. But having passed Senate Joint Resolution 58, it is incumbent upon us to seriously consider how we will meet the new set of circumstances that will confront us, should the amendment become a part of the Constitution. Presumably we will not have three-fifths vote every year to continue deficit spending, and by 1987 or so, when Senate Joint Resolution 58 could conceivably take effect, we will be faced with some harsh choices on spending and taxes. We should use these next few years to bring that budget into assemblance of manageable order.

As this committee knows better than any other in the Congress, little effect of control over spending can be marshaled with 1 year budgeting. Most Federal programs literally have lives of their own. About three-quarters of the budget, for example, falls into the uncontrollable category, meaning spending can be curbed only with changes in substantive underlying laws.

In a sense, the Federal Government has put the bulk of spending on automatic pilot, leaving little leeway for annual changes in budget direction.

So what we are faced with—in short—is a leadtime to bring a new order to our spending decisions. We must make some headway before Senate Joint Resolution 58 takes effect. It alone, as I said, will not balance the budget. It can give us the most powerful impetus to bring forward the tools necessary to do the job, however. I view this set of hearings as a vital and an important first step in that direction.

CREATION OF THE BUDGET REFORM ACT

It was nearly 10 years ago that the Governmental Affairs Committee began work on budget reform legislation. As you know, in that effort of ours, I joined as the ranking minority member of the committee, with the chairman, Senator Sam Ervin and with Senator Ed Muskie, who took particular interest, as a member of that committee, in writing that legislation. We were the primary sponsors of the legislation that led to the passage of two bills that we know today collectively as the Budget Reform and Impoundment Control Act of 1974. Although paired, these two acts had different purposes. It is indicative of the enormity of the budget questions facing us that many of the same issues that led to these laws are the same issues before us today.

The Budget Reform Act sprang from our strong concern over the chaotic spending procedures then in effect.

When I was elected to the Senate, I was amazed at the lack of fiscal procedures—procedures that were routine in business. Our spending was not monitored by Congress. Rather, only at the end of the year did Congress total up its spending and only then—in hindsight—could Congress see the full impact of its decisions. In fact, Congress had always spent in this way. But with the advent of billions of dollars of new domestic and military programs in the 1960's, that old system began to creak under the strain of the new procedures. Moreover, Federal spending as a share of GNP was on the rise, with Federal spending taking an ever-larger slice out of the economy.

Congress wisely recognized these trends and brought forth the 1974 Budget Reform Act to introduce at least an element of planning into our spending decisions. We ought to at least have an idea as to where our prospective decisions would lead us in terms of spending and how much revenue we could reasonably expect in the year ahead. The Budget Reform Act has given us this information and has allowed us to make informed decisions. By this narrow measure, it has been a success.

The second part of budget reform sprang not so much from an impatience with congressional budget procedures as it did from a perceived threat from the President.

Impoundment had become a major issue during the Nixon administration as Congress and the President differed over fiscal policy. Decisions finally made in Congress and signed by the President were not always followed as the President could impound funds at his discretion. We viewed this as a serious erosion of the constitutional powers of the purse strings, and no greater constitutional authority did we have in the Senate at the time than Senator Sam Ervin. He felt so strongly about this part of the act, and he carried, I would say, 99 percent of the burden in seeing that his concerns were put into law.

The 1974 law has significantly changed this pattern through the new deferral and rescission procedures. Judged by the standards we set out in 1974, that law has succeeded, too.

AREAS FOR REFORM

Having made these judgments on the 1974 Budget Act, let me hasten to add that we have a long way to go until we achieve a truly disciplined fiscal picture. I would like to outline for the Committee a few of the areas where I think we can make improvements.

TIMING AND FREQUENCY OF BUDGET RESOLUTIONS

The budget process was conceived to be part of the congressional schedule. It was not meant to replace the annual legislative agenda.

Yet in the last 2 years, the budget process itself has essentially dominated the legislative agenda. That we would spend more of our time on spending cuts and tax matters was inevitable, given the mandate of the last election and the state of Federal fiscal policy.

What we have seen, however, is that other urgent national business is often relegated to hurried consideration at the end of the session. Both authorizations and appropriations have been affected by these developments. In my own Foreign Relations Committee, we met the guidelines of the first budget resolution and reported legislation this spring, only to see the conference report on the first resolution come back with directions for further spending reductions. We can and will accommodate that resolution, but this has thrown a tremendous delay into our floor preparations. So now we find ourselves at nearly the end of this session and legislation we reported much earlier in the session still has not come to the floor. This is not a very productive way to encourage committees to get their legislation done early in the session. Why not just wait until summer or later and add to the logjam that hits our legislative calendar late in each session? We need to have better timing so that the budget process itself is not a major contributing factor to the end-of-session logjam.

And I might say, Mr. Chairman, though, as I have expressed to you privately many times, the Budget Committee's work has far exceeded my expectations. Many years ago I presented this concept to the Senate Republican Caucus on slides and tried to overcome the objections that were raised by the members of the Appropriations Committee. When I saw the number with reservations, I questioned whether we could ever get this through the Senate. Gradually we reasoned with the members of the Appropriations Committee, they saw our point, and the bill carried, of course, overwhelmingly.

But what I did not envision is that somehow we would still be ending up with a logjam, still ending up—starting a fiscal year without a single appropriation bill approved. This is really ludicrous, and that goes contrary to the whole intent and spirit of what we labored for 3 years to create. For that reason we have got to come back to the drawing board now, even though we have accomplished a tremendous amount.

What can we do now to carry forward with it? I know Senator Chiles feels very strongly about this, because he was a very prominent member of the Governmental Affairs Committee in steering this legislation to passage. And I am sure he has felt, as I have, that it has exceeded our hopes in some respects, but has not fulfilled our hopes and aspirations for it in other respects.

It is certainly not the fault of this committee, it is the process under which we are laboring, and we have just got to do better.

I believe one of our highest priorities is a streamlined budget process. I concur with those who suggest that we permanently eliminate the second budget resolution and pass just one, binding resolution each year. This should reduce the time taken up in setting budget guidelines and should leave more time for consideration of underlying statutes that often implement the resolution's guidelines. We have a de facto single budget resolution now, especially with the provision your committee placed in this year's resolution that makes the first resolution automatically binding if we do not pass a second resolution. We should make this sensible approach part of the law.

It has been suggested that the deadline for passage of the budget resolution be moved back from May 15 to June or July. I would not favor such a change. In many ways, it would defeat the reasons for shifting to one budget resolution. Early passage of the budget resolution gives each committee a guide for determining legislative schedules. To move this deadline back even further would keep committees guessing and would, in effect, shorten the time we have to meet the guidelines of the budget resolution.

TWO-YEAR SPENDING PLANS

Closely tied to a streamlining of the budget resolution is a need to experiment with similar streamlining of the appropriations and authorizations process. Legislation has been proposed that would put us on a two year appropriations and authorization cycle. This approach has much to commend it, but it may be premature to jump into this with both feet at this particular time.

The Foreign Relations Committee is in the process of trying out this idea now. Last year we passed, for the first time ever, a two year authorization for the Foreign Assistance bill in an effort to clear our calendar and give more time this year to other matters, including oversight. It is too early, however, to know if this has been a success. Your committee may be interested to know that we have had to move on a supplemental foreign assistance authorization this year to take care of exigencies that we could not have contemplated last year. So even with a 2-year cycle, committees may still be tied down with consideration of programs they hoped to take up only every 2 years.

One drawback to a wholesale shift to 2 year appropriating is less congressional control over spending decisions. Even the foreign aid appropriation remains on a 1-year basis—only the authorization is on a 2-year cycle. A shift to 2 year appropriations would be a de facto deferral of a share of our constitutional responsibilities to control the pursestrings. We need to be careful that we keep to the principles of the 1974 Budget Act, namely that we need to improve congressional spending procedures without forfeiting our constitutional role simply because the offices of the President are better organized.

We may want to give serious consideration to a pilot run with a few 2-year appropriations and authorizations. Let us see how these cases—like the foreign assistance bill—work out before we shift the whole spending apparatus over to this time frame.

As a manufacturer, I might say, I would never consider going into a national marketing plan without pilot runs. Many times we killed a project right at the outset, knowing if it would not sell in Peoria, it may not sell in New York and California, and so forth. I think we ought to pilot run this, and this is why I have tried to take the initiative in the 2-year authorization in Foreign Relations, to just try it out, and give you the benefit of our experience.

RECONCILIATION

The reconciliation process has been one of the great benefits of the 1974 law. It was, however, never envisioned to play the role it does now. If we had not had reconciliation for the past 3 years, we would have had to invent it for it has been indispensible to making the hundreds of billions of dollars in savings we have achieved these past 2 years.

I have fully supported this committee in its interpretation of reconciliation, and I would say we did not have it in mind at the time. I wished we could have taken credit for it. You have the full credit resting with this committee for that process, as it has developed. It has imposed on committees a discipline that some have found difficult to meet. Yet it has been the key tool at our disposal.

I recommend the committee retain this feature of the law and not seriously erode its importance as some have recommended. I understand some of our House colleagues feel no reconciliation should affect spending beyond the upcoming fiscal year. Should this recommendation take effect, we would move away from budget control and would remove our best chance to bring spending in line with multiyear budgeting. If the committee undertakes changes in this area, I would recommend that it make explicit that reconciliation is indeed a tool precisely for multiyear budgeting.

As presently used, reconciliation has tight limits on floor procedures. In the Senate, these time limits offer a unique procedure for expedited consideration of legislation. Your committee should give serious consideration to two factors, however:

One, the present time limit on debate is at variance with the Senate's traditions of open debate. Minority views and amendments can be seriously affected under this strict limitation. Should not more time be given for reconciliation on the floor? Should we not expand the time for floor consideration? This seems sensible to me and could prevent a future instance where debate was arbitrarily cutoff, preventing us from considering alternative spending reduction plans. We can always, by unanimous consent, agree to a shorter time period if particular year or instance that we are working with, would warrant it.

Two, closely tied to this is the germaneness rule associated with reconciliation. The recently passed tax bill came to the floor with reconciliation procedures. But amendments were not germane if the Finance Committee had not already incorporated that same subject material in the bill. A number of Senators, including myself, were precluded from offering amendments that might have found favor in the Senate. For my part, I would have liked to have struck out the dividend and interest withholding provision of the bill, replacing it with an additional 5 cents a gallon Federal gasoline tax. Yet reconciliation precluded us from considering a gasoline tax amendment, thereby saddling us with the unpopular withholding that runs counter to our efforts to boost private savings and investment. The Senate should have had the opportunity to debate a tradeoff like this. We should allow so-called nongermane amendments in the interest of better legislating.

CREDIT PROGRAMS AND A CAPITAL INVESTMENT BUDGET

Twice in the past 2 years I have testified before a task force of your committee on Federal lending programs. Most recently, I testified in June on my own legislation, S. 265[1]—with 20 Senate cosponsors—which amends the Budget Reform Act to bring lending programs under better congressional scrutiny.

I will not repeat my comments on that legislation, but I do hope the committee will incorporate S. 265 into any omnibus legislation it assembles. The task force is now writing its report on lending programs, and I believe they will include legislative recommendations with that document.

Certainly we have moved ahead with lending program reform in these last 2 years, and I hope we can consolidate them into law. With deficits and interest rates so high, we need to take steps to exercise better control over the nearly $20 billion in deficit spending that stems from Federal lending, but which does not appear in the budget.

This control cannot be undertaken on a piecemeal basis. It needs a comprehensive approach. Within the Foreign Relations Committee jurisdiction is the foreign military sales program, an off-budget program financed through the Federal Financing Bank. As chairman, I would like to bring this onbudget because a number of defaults have affected the program recently. These defaults by foreign countries are part and parcel of the underdeveloped country debt repayment problems but they affect the operation of the program. Whenever there is a default, there is also a cost to the taxpayer. So this program is a good target to bring into the budget process, but it should be done as part of an overall approach.

I would like to mention also that Alice Rivlin testified before us that, without any question, these programs have just as much of an impact on interest rates as on-budget items do. She said that if they are brought under control, she has the feeling that they would have a downward pressure on interest rates.

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[1] See p. 795.

I would like to mention briefly the concept of a capital investment budget. Most States have separate budgets for their long-term investments like highways. Our present budget treats all spending alike, and I think this is a mistake. Programs that spend out in 1 year are far different than those that are longterm, and leave behind a tangible investment. And we should recognize that difference in our budgeting. I recommend the committee evaluate a separate capital budget and how it would fit into the unified budget. GAO has recommended a similar course of action. It is long past time that we took a more careful look at the capital budget.

DEBT CEILING

My final recommendation centers on the debt ceiling, which even today is held captive on the Senate floor because of extraneous issues. The debt ceiling is simply too important to the smooth functioning of the Government to let it remain a captive of the special interests of the moment. It should be considered along with the normal budget resolution each spring, much as the House now does.

Mr. Chairman, this concludes my remarks on reform of the Budget Act. I hope my comments will be helpful to you in your review. Your recommendations will naturally carry great weight in the Committee on Governmental Affairs. When we wrote the law in 1974, we retained legislative jurisdiction over it. The chairman of our committee, Senator Roth, is greatly interested in making improvements in the law, and I will certainly support efforts to bring important budget reform legislation to the floor at the Senate's earliest convenience.

I do feel, however, even though we share legislative jurisdiction with your committee, that it is really much more appropriate that these hearings begin in the Budget Committee. I think when Senator Chiles has both hats on, Governmental Affairs and the Budget Committee, he can be the link with our committee, as can other members who are on both committees.

Now, you are in a much better position than we are, to really tell us what reforms should be made, and we will be extraordinarily receptive to the suggestions and ideas and reactions of this committee.

Thank you, Mr. Chairman and members of the committee.

Chairman **Domenici**. Thank you very much, Senator Percy.

I would bring it to your attention, Senator Percy, that in 1977, by Senate order, this committee and Governmental Affairs have joint jurisdiction. Our staff tells us that that remains the case, so we will be working together on the question.

Senator **Percy**. Very good.

Chairman **Domenici**. I am going to yield to the other Senators, and then I will have some questions.

Senator **Percy**. I would be happy to stay for as long as you would like me to. I do have one problem. We have an Illinois delegation meeting at 11 o'clock with the chief judge of the northern circuit, and I should be there as the Senator responsible for judges under Republicans, but any brief questions that I can answer, I would be happy to.

Chairman DOMENICI. One minute.

LOAN GUARANTEE PROGRAMS

Senator GORTON. You are the first witness before us with a suggestion of how to deal with the debt ceiling, I would like to ask you a couple of questions about S. 265.

As we read the bill, it looks as though you require loan guarantee programs authorized in the future to be subject to annual appropriations. But is that not too small? Is not the cat out of the bag at this point? If we are going to do it right, should it not apply to existing loan guaranteed programs, as well as those in the future?

Senator PERCY. I see no reason why it should not.

Senator GORTON. How about direct loans?

Senator PERCY. What we are talking about are guarantees which are a potential liability that any corporation would have to put on its books. I think the Federal Government ought to have it on its books, too. So that we can see and you can perhaps estimate what the losses may be, and what that is going to benefit, but as long as the Government is hanging out there, particularly in a worldwide recession, such as we have, with defaults coming from an oil producing country like Mexico, whatever guarantees we may have behind foreign governments, we have to take that into account in our budgeting.

Senator GORTON. How would you deal with loan programs, or credit programs which are entitlements?

Senator PERCY. My own tendency is to bring as many things as we can and should, that have an impact on the economy, under control of the budget.

Senator GORTON. Thank you, Mr. Chairman.

Chairman DOMENICI. Senator Chiles?

GERMANENESS RULE

Senator CHILES. Mr. Chairman, I want to congratulate the Senator on his statement, and I certainly recall the role that he played initially as we were trying to bring the Budget Act into being, and his role on the Committee on Governmental Affairs, and in the Senate as well.

I am delighted to see your statement in regard to the germaneness rule associated with reconciliation, and in fact, there is nothing like seeing enlightenment on this subject. I was trying to give the Senator from Illinois an opportunity to make the kind of change that he was talking about, that he would like to have done the last time. I recall at that time the Senator from Illinois had a different view of the subject, and argued along with the majority—not always an enlightened majority—but a majority, that there should not be any change in the germaneness rule, when the Senator from Florida was trying to allow the Senator from Illinois, and others of us to be able to make those cuts and add provisions to the reconciliation bills.

Senator PERCY. As my former colleague, Senator Dirksen, once said, sometimes you have to just rise above principles.

Senator CHILES. I am delighted to see that in your statement, because I think that is something that definitely handicaps the Senate as a body, and many of us from being able to try to work our will, as opposed to having the Finance Committee tie up the whole thing, and I thank the Senator from Illinois for his excellent statement.

Senator PERCY. Thank you very much.

CONSTITUTIONAL AMENDMENT ON A BALANCED BUDGET

Chairman DOMENICI. Senator Percy, I will not argue the point on germaneness. I have not been convinced heretofore by Senator Chiles, and I have not been convinced by your testimony either on germaneness, but I will express my views on it later.

Let me ask you, in terms of your notion of the constitutional amendment on a balanced budget that might become the law of the land, would you think it might be reasonable as part of a transition toward that, that we might consider, if we are going to do the amending, that we establish some kind of glide path requirement, for instance, say by 1985, deficits exceeding $50 billion would require a constitutional extra majority, three-fifths, get something on the books moving you in that direction?

Senator PERCY. I would think anything that we can do to move in that direction, Mr. Chairman, would be good.

I finally, reluctantly, came to the conclusion to support Senate Joint Resolution 58 and changed my judgment on it, when I became totally frustrated in the way the budget process was working. We are moving in a perilous direction, and we have got to try anything.

But whether we are for it or against it, we ought to realize this country wants a balanced budget. There is no question about that, how you get there. But Congress then ought to do everything that we can in an interim period, such as you have suggested, to try to move in that direction.

Chairman DOMENICI. Thank you very much, Senator.

Senator PERCY. Thank you, Mr. Chairman, and members of the committee, very much indeed.

Chairman DOMENICI. Senator Chiles, take the stand, and I will swear you in. [Laughter.]

We are pleased to hear from you, Senator Chiles, since we do not hear from you very much.

STATEMENT OF HON. LAWTON CHILES, A U.S. SENATOR FROM THE STATE OF FLORIDA

Senator CHILES. Mr. Chairman, I want to start off by complimenting you on moving ahead with this full set of hearings on revising the Budget Act.

I think that the vote on the constitutional amendment to balance the budget shows that both the public and the Congress are frustrated by the growing Federal deficits, and that they want and are demanding to see changes in the process that will improve the outcome.

I want to say that I disagree with some of the witnesses who have said that it is too dangerous to bring up the Budget Act for amendment because there are too many enemies waiting in the wings to gut it. I have to feel that if we do nothing, the budget process is going to get changed by simplistic or far-reaching floor amendments that will be tacked onto the debt limit bill or onto a continuing resolution.

I also disagree that we ought to continue with the strategy on changing the process by ad hoc additions to the budget resolution. I think much of the current resentment against the budget process is that procedural changes have been shoved down the Congress throat as part of a substantive budget, without the normal opportunity for debate and amendment. Putting reconciliation on the first resolution is a case in point. As you know, it was on my motion that we first set that precedent back in 1980. While my bill would codify reconciliation on the first resolution as a deficit reduction bill, it would also provide safeguards against including nonbudgetary items in the specially protected bill.

I believe that the resentment against the 1981 Reconciliation Act is less due to the budget cuts than it is due to including nonbudgetary legislation like block grants and communications laws that were put in the reconciliation budget-cutting bill. So I believe we will strengthen the process in the long run if we take the act to the floor for open debate, and offset tighter enforcement provisions with better safeguards for the other committees and for individual members who want to offer floor amendments to reconciliation.

BALANCED BUDGET ENFORCEMENT ACT OF 1982

The bill that I introduced last week follows the basic outline I presented last May when I introduced my own version of the constitutional amendment. I want to say also, as Senator Percy said that, for the longest time I resisted the constitutional amendment. I felt that we should not have to have a constitutional amendment to balance the budget. I always felt that the Budget Act was going to be the pacesetter to guide us along the path to the balanced budget, and I still think that we can do it by simple legislation, if we have the will to do it.

My bill would enforce the constitutional amendment for balancing the budget at a limited rate of revenue along the lines of the compromise version which you and I were able to work out with our floor amendment. But my bill is free standing, and would start us moving toward the balanced budget even in the absence of a constitutional mandate. I think we both agree that Congress needs to get some practice before we are faced with a constitutional requirement, and perhaps if we get something like this going we will not need the constitutional requirement, to start with.

MAJOR REFORM MEASURES

My bill also contains major reform measures, such as a regulatory budget, binding outyear figures, binding committee allocations and a credit budget, which I have been working on for several years. I would like to outline for the committee the major features of my bill. I will submit for the record the text of the bill, a section-by-section analysis, and a letter from CBO commenting on its content.[1]

BALANCED BUDGET REQUIRED

First, we would require that the budget resolution and the President's budget must be balanced, except in time of national economic emergency, such as a recession.

CODIFY RECONCILIATION

Second, we would codify reconciliation on the first budget resolution and make that resolution binding. The tie to a balanced budget is simple. We would require CBO to calculate a current law level of outlays and revenues—defined in the bill—and require the deficit reduction bill to be of sufficient magnitude to eliminate the current law deficit. Deficit reduction could entail either spending cuts or tax increases, but revenue growth would be limited to a 5-year average GNP growth. To go over that revenue limit, Budget Committee would have to report a separate resolution and there would have to be a separate rollcall vote to raise taxes for a specified purpose, such as defense or social security, whatever we decide that purpose would be.

TEMPORARY TAX INCREASE

Third, we would offset the tendency to use our optimistic economic and spending estimates, by requiring a temporary tax increase in the following year to pay off any unanticipated deficit. Of course, we allow a further deficit reduction bill as the preferred way to deal with a deficit that appeared in the middle of the fiscal year. Let me add that this part of my bill effectively moves the second budget resolution to the middle of the fiscal year. It says we would have to look at the President's January estimates and the revised CBO estimates, and see whether we were still on a track to a balanced budget. If not, we would have to take corrective action. Since we usually have to pass a third budget resolution each spring to deal with reestimates, moving the second to that time is far more realistic than keeping it in September.

BALANCED BUDGET WAIVER

Fourth, I would provide a waiver of the balanced budget for national economic emergencies, such as recessions. However, I would prevent the use of recession as an excuse for new programs by requiring a payback, with interest, in the 2 years following the recession-invoked waiver. This would offset the tendency to push for permanent new spending under the cover of an unavoidable deficit.

ENFORCEMENT

Fifth, enforcement: Make authorizing committee totals binding. I would make Appropriations Subcommittee allocations binding, and divide allocation into regular and supplemental portions. Provide points of order against any bill or amendment which would cause a committee's allocation to be exceeded. Prohibit off-budget spending, such as the provision in last year's reconciliation bill, which said you just would not count the strategic petroleum reserve in the budget.

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[1] See p. 712.

CREDIT BUDGET

Then I would institute a credit budget to control direct loans, loan guarantees and other forms of off-budget financial activities that offset the credit markets.

CLOSE ENTITLEMENT LOOPHOLE

Next, close the entitlement loophole: In addition to making all the 5-year figures in the resolution binding, we would eliminate the current provision that exempts an entitlement increase from a point of order if it takes place the year after the year of the budget resolution.

Right now, Mr. Chairman, as you know, this is a very, very big loophole, and right now, entitlements can totally avoid points of order just by having a delayed effective date.

REGULATORY BUDGET

Next, I would institute a regulatory budget process, parallel to the spending process in the Budget Act—we would have a President's regulatory budget request; the budget resolution would set broad functional totals—then the Appropriations Committee would set detailed agency-by-agency limitations on the total cost of Federal regulations.

It seems to me that in the regulatory area, we are in about the same situation we faced in spending control before the 1974 Budget Act. We know we have created a mass of regulations, covering everything from safe food, to clean air and water, to highway safety and occupational health. We know that many or most of these regulations are worthwhile, but we do not know their total cost. And we have no way of setting priorities on where we need to see regulations tightened, and where we need to see them relaxed.

When the administration comes in and says "all regulations have to be drastically reduced because they cost too much," we have no rational response. We cannot say, "here is our regulatory budget. We agree that the following regulations can be relaxed, but if you keep the others, the total cost will be acceptable." Each time a new proposal comes up, to either create a new regulation or scrap an existing one, the economists set about reinventing the wheel. We get so many conflicting reports about what total regulations in that particular area cost. The public would certainly be better served if we had an ongoing analysis of the cost of regulations in each major function.

Recognizing that we are in an early state-of-the-art in developing regulatory cost analyses, I am proposing that for the first 2 years, we just make the grand totals binding. As we develop the detailed cost allocations in those years, we would move to a full-scale regulatory budget that moved parallel to the spending budget. The regulatory budget would follow the same detailed development process as the spending budget, so the administration would be supplying Congress with detailed information about its proposals. This would give the committees of Congress a vastly improved capacity for oversight of the executive agencies and their regulatory activities.

Thank you.

MANDATORY ALLOCATION OF CROSSWALKS

Chairman **DOMENICI**. Thank you very much, Senator Chiles.

I think you have raised many excellent points. From the standpoint of the doable, I know this is a hard question to answer, because it might very well depend upon times and changing personalities and makeup, but do you really think that we could get through both Houses of Congress the mandatory allocation of the crosswalks, as you have suggested, with the point of order on the bills if they exceed them?

Senator **CHILES**. I really do not know. Just to be frank with you, it seems to me that if the constitutional amendment is frustrated, and it looks like there is a possibility of that happening, although I think there is still so much pressure out there coming from the folks, to have Congress do something about balancing the budget, that if we could convince the people that my bill is a way of really getting fiscal order, then I would hope we could harness that pressure.

I have a much better feeling that we would have a shot at it in the Senate, than I can determine about the House, because I just do not have any kind of feeling at all for that.

Chairman **DOMENICI**. Of course, inherent in the suggestion is not that the Budget Committee would make the allocation to the crosswalks.

Senator **CHILES**. Yes.

Chairman **DOMENICI**. The appropriators could do that?

Senator **CHILES**. Absolutely.

Chairman **DOMENICI**. They do it now. Their problem is that it is not binding, and they have the inherent power to change it, and they are not necessarily the same appropriations in both Houses. And you make another excellent point there; the supplementals are played off against the others, rather than as you have indicated, taking cognizance that there is going to be a supplemental for pay, so go ahead and put it in, and bind it.

Senator **CHILES**. Right.

Let me just interrupt, if I might.

They just handed me a note that they are voting on two important votes on defense. I am going to have to run down there. I will be delighted to come back.

Chairman **DOMENICI**. No, unless Senator Gorton or Senator Quayle have some urgent questions, we do not expect you to come back. We appreciate it very much.

Senator **CHILES**. Thank you very much.

Chairman **DOMENICI**. Senator Quayle, do you want to wait for Senator Ford, and the two of you start together?

Senator **QUAYLE**. I can go ahead and start. Is he on his way? Why do I not go ahead? Whatever you want.

Chairman **Domenici**. No, I am for it. If you feel comfortable to go without him, I would prefer it, so that we could finish at 12 instead of 1, it would be my desire today. We had time allotted through 1 o'clock to finish. I think we can finish.

Senator Quayle and Senator Ford would be our last morning witnesses, and you are appearing about 15 minutes earlier than we had advised Senator Ford, but we are going to call him now.

Senator Quayle, we are delighted to hear from you. We know of your genuine interest, not only in the Budget Act, but in the whole process of budgeting, including the appropriations process, and we look forward to your testimony.

STATEMENT OF HON. DAN QUAYLE, A U.S. SENATOR FROM THE STATE OF INDIANA

Senator **Quayle**. Thank you, Mr. Chairman. I want to commend you for opening up the dialog on something that I think that the Congress has got to pay serious attention to. I have a prepared statement that I will summarize and ask that the full statement be made a part of the record.

Chairman **Domenici**. Without objection.

STATEMENT OF HON. DAN QUAYLE

The Budget Act of 1974 was passed to simplify, clarify, streamline and save time and money. Now Congress finds itself unable to meet its budgetary deadlines, control its own legislative schedule or perform proper evaluations and oversight of programs. In its present form, the process simply does not work.

What has happened is that the Congressional Budget process has evolved into a major implement for making fiscal and economic policy. Hundreds of programs have been affected, billions of dollars in spending cuts and many changes in our tax laws enacted in the guise of abiding with budget resolutions and reconciliation bills. In fact, during the last two years the most significant legislation passed by Congress have been in the form of reconciliation bills.

Congress cannot be expected to authorize, appropriate, evaluate and give proper oversight to a budget totaling $750 billion within the time constraints of one year. Yet it is expected to. It is also supposed to continue considering other important legislation on a rational and methodical basis. For this to happen, and for Congress to do the best job possible, it needs more time.

That is why I have introduced in the Senate (along with Senator Ford of Kentucky) the Budget Procedures Improvement Act of 1982, S. 2864. This bill would strengthen and reform the current Congressional budget process by extending the one year budget cycle to two. It also provides for more timely oversight of authorizing legislation and appropriations.

Problems with the Current Spending and Budget Processes

The traditional Congressional process of reaching spending decisions involves two stages, each executed by different committees in each House. At the first level, authorizing committees review specific programs and spell out their detailed line-item requirements. Following these actions, appropriations committees are supposed to evaluate the recommended authorizations and determine the actual spending levels for authorized programs.

The 1974 Budget Act established the two Budget Committees, not as replacements for either the authorizing or appropriations committees, but as a third layer in the spending process. The Budget Committees were intended to set targets and ceilings for the other committees, but not to engage in line-item determinations. The purpose of the Budget Act was to create a procedure by which normal spending decisions could be made in a better-informed environment. Total revenues and aggregate spending as well as deficits and out-year budget projections were to become part of the Congressional decision-making process.

In practice, the budget process has not worked this way, partly because the traditional distinction between authorizations and appropriations have become blurred over the last several years, and partly because Congress has been unable to complete its work on authorization and appropriations bills in a timely way. Also, the 1974 Budget Act is extremely unwieldy.

Under current law, Congress must pass two budget resolutions each year -- a First Budget Resolution on May 15 to set targets for spending by functional categories, and a Second Budget Resolution by September 15 to set binding floors on revenue and ceilings on expenditures. Reconciliation as envisaged in the 1974 Budget Act is a simple mechanism for technically adjusting the figures in the Second Budget Resolution with those in the First. The 1974 Budget Act extended the fiscal year from July 1 to October 1, so that appropriations committees would have more time to complete appropriations actions.[1] It was hoped that continuing resolutions, already a problem in 1974, could be eliminated by this three-month extension. The budget timetable established by the 1974 Budget Act is presented in Table 1.

Since passage of the Budget Act, the first and second budget resolution deadlines have been met only twice out of eleven reporting dates. Authorizing and appropriation bills have also been slow in emerging from the Congress.

The present Budget Act has not fulfilled expectations. It allows too little time for consideration of authorization and appropriations bills, and too little time for program oversight. The power of the executive branch to reduce the congressional work load through use of traditional and normal Presidential impoundment powers is also limited by the Act.[2]

Problems with the Authorization and Oversight Processes

The distinction between authorizations and appropriations is blurred. Since the rapid growth of entitlement programs, in the early 1970's, authorization bills have taken on the characteristics of appropriations bills by mandating specific levels of spending. On the other hand, the recent and growing practice of attaching legislative riders to appropriations bills has also changed their character. Frequently, appropriations have included specific line-item requirements, in the manner of authorizing legislation.

TABLE 1.

CONGRESSIONAL BUDGET TIMETABLE UNDER THE 1974 BUDGET ACT

Oct., Nov., Dec. - Longer Term, In-Depth Analysis of next year's issues by Budget Committee Staffs and the Congressional Budget Office (CBO).

3rd Week of Jan. - President's version of next year's budget received and analysis by the Budget Committee Staffs.

Late January - Congressional Budget Office submits Annual Report.

Jan., Feb., Mar. - Budget Committee hearings on next year's budget, completion of staff studies.

No Later Than March 15th - All Senate Committees report needs and provide data to Budget Committee.

No Later Than April 15th - Budget Committee decides own version of budget and reports to Senate Floor (First Budget Resolution).

Late April - Senate debates first Budget Resolution containing non-binding spending and revenue targets.

Early May - Conference between Senate and House to iron out differences between two versions.

No Later Than May 15th - Congress agrees to First Budget Resolution, allocates spending targets to Committees.

No Later Than May 15th - Congressional Committees report new authorizing legislation; Appropriations Committee begins work on Appropriations Bills.

June & July - Spending bills reported to Senate Floor, measured against First Budget Resolution.

Late Summer - Budget Committee reviews economy and budget developments; prepares Second Budget Resolution.

Labor Day + 7 Days - Congress completes action on all spending bills.

September 15 - Congress completes action on Second Budget Resolution setting binding revenue floor and spending ceilings and allocates final spending levels to Committees.

September 25th - If necessary, Congress completes action on Reconciliation Bill, to cut back on spending through changes in already enacted laws.

October 1st - New Fiscal Year begins.

Thus, in recent years it has become increasingly difficult to distinguish the differences between authorizing bills and appropriations bills. In addition, the arguments surrounding certain authorizations have been so heated that on occasion appropriations bills have passed before the relevant authorizing legislation. This process turns the traditional legislative scheme upside-down. The results are a chaotic legislative process that has nearly ground to a halt.

Congress also makes ineffective use of its oversight powers in the process of passing authorizing legislation. Yet its responsibilities in this area are enormous.

For example, it was estimated the President's fiscal year 1981 budget contained 150 civil and defense-budget accounts with approximately 1,000 programs requiring some kind of annual authorization action.[3]

In the rush to review $750 billion worth of programs, pass the requisite thirteen appropriations bills, and two budget resolutions each year, programs are rarely, if ever, carefully evaluated. Congress simply does not have the time to collect and review all the relevant information with respect to programs which now must be authorized on an annual basis. In fact, Congress spends virtually no time in review and oversight of entitlement programs, yet these now account for more than half the Federal budget.

Breakdown in the Appropriations Process

Compared to our ability to conduct oversight and review authorizations, our record on appropriations since enactment of the Budget Act is equally dismal.

Congress, under normal legislative procedures, should fund Federal agencies for a fiscal year through the annual enactment of thirteen regular appropriation bills. If Congress does not complete action on one or more of these bills before October 1, it then enacts continuing appropriations in the form of a joint resolution. This provides stop-gap funding for the affected agencies. Joint resolutions of this type are generally referred to as "continuing resolutions."

The practical effect of these resolutions is to continue the funding of programs where, in the absence of regular authorizing legislation and appropriations, they would lapse. Their use is defended by House Appropriations Committee Chairman Jamie Whitten, who states that:

> the philosophy of the continuing resolution is to provide minimum funding for the orderly continuation of existing programs for the interim period until regular appropriation bills are enacted.[4]

Continuing resolutions were first used over a century ago, but they are now becoming a common and recurring feature of the appropriations process. Since 1972, thirty-four continuing resolutions have been enacted into law (see Table 2). In the six years since the Budget Act took effect, there has been only one occasion when all appropriations bills were enacted on time. Even that year a continuing resolution was necessary to fund some programs. Over the past five years, fifteen continuing resolutions have been enacted, and Congress has enacted continuing resolutions every year since the new budget process became effective. Today, much of the Federal Government is functioning because of a continuing resolution.

In addition, funding levels in some continuing resolutions have been permitted at higher rates than the previous year's. And,

TABLE 2. Continuing Resolutions Enacted for Fiscal Years 1972-1982

Fiscal Year	Congress	House Joint resolution number	Public Law number	Date approved 1/
1972	92nd	742	92-38	07-01-71
1972	92nd	829	92-71	08-09-71
1972	92nd	916	92-139	10-15-71
1972	92nd	946	92-162	11-20-71
1972	92nd	1005	92-201	12-18-71
1973	92nd	1234	92-334	07-01-72
1973	92nd	1278	92-390	08-18-72
1973	92nd	1306	92-446	09-29-72
1973	92nd	1331	92-571	10-26-72
1973	93rd	345	93-9	03-08-73
1974	93rd	636	93-52	07-01-73
1974	93rd	727	93-124	10-16-73
1975	93rd	1062	93-324	06-30-74
1975	93rd	1167	93-448	10-17-74
1975	93rd	1178	93-570	12-31-74
1975	94th	219	94-7	03-14-75
1976	94th	499	94-41	06-27-75
1976	94th	733	94-159	12-20-75
1976	94th	857	94-254	03-31-76
1977	94th	1105	94-473	10-11-76
1977	95th	351	95-16	04-01-77
1978	95th	626	95-130	10-13-77
1978	95th	643	95-165	11-09-77
1978	95th	662	95-205	12-09-77
1979	95th	1139	95-482	10-18-78
1980	96th	412	95-86	10-12-79
1980	96th	440	95-123	11-20-79

TABLE 2, Continued

Fiscal Year	Congress	House joint resolution number	Public law number	Date approved[1]
1981	96th	610	96-369	10-01-80
1981	96th	644	96-536	12-16-80
1981	97th	HR3512[2]	97-12	06-05-81
1982	97th	325	97-51	10-01-81
1982	97th	368	97-85	11-23-81
1982	97th	370	97-92	12-15-81
1982	97th	409	97-161	03-31-82

[1] Section 501 of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) changed the start of the fiscal year from July 1 to October 1, effective beginning with fiscal year 1977.

[2] A supplemental appropriation that provided further continuing appropriations for specified agendas.

Source: Congressional Research Service

mandatory spending has frequently been differentiated from discretionary spending.

In cases where the Appropriations Committees have no discretion over the allocation of certain funds, the continuing resolutions provide for "such amounts as may be necessary." This spending is therefore not tied to a particular rate. Such an action applies to annually appropriated entitlement programs such as Veterans' compensation, Federal unemployment benefits and Black Lung Disability payments. The end result is an automatic increase in "uncontrollable", or mandatory spending. This happens even though no authorizing legislation or appropriations have passed Congress beyond the relevant continuing appropriation.[5]

In overall terms, passage of the Budget Act has not resulted in a more rational and efficient Congressional process for making decisions on appropriations. The haphazard system of review and the reliance on continuing appropriations makes long-range planning impossible. This is true for federal, state and local agencies dependent on federal funds.

Under the present system, programs are not effectively evaluated before funding is either fully or partially appropriated. Also, managers of annually authorized programs have little flexibility. They must spend the funds appropriated for the given year or run the risk of losing deferred budget authority in the succeeding year's budget.

The result of this is that many federal programs are regarded as suspect and unstable. And individuals dealing with these programs cannot be certain of funding levels or plan their activities except on a short-term basis. This situation only harms the morale of people involved and hampers the efficient operation of the programs.

Executive Inability to Help Rationalize Spending Decisions: The Loss of Impoundment Powers

Historically, Presidents have used impoundment powers to make spending decisions. This kept Congressional committees from being inundated with copious quantities of annual decisions.

Presidential impoundment dates back to the early days of the Republic, and has been a major budget instrument since the New Deal. Franklin Roosevelt held back funds from public works projects; Harry Truman withheld money from veterans' hospitals and the Air Force; and John Kennedy impounded funds allocated for the B-70 bomber. President Nixon broadened the use of impoundment by withholding funds from highways, water and sewer grants, and various urban programs.

Current law reflects Congress' reaction to Nixon's use of the impoundment power as he refused to spend funds for programs he did not like. This was the case even though they had been authorized and appropriated by Congress.

The 1974 Budget Act, officially entitled the Budget Impoundment and Control Act, attempts to reduce the President's power to impound funds. The President is now required to inform Congress should he decide to withhold funds from appropriated programs. Such a decision is presently subject to congressional disapproval.

The Act provides for congressional control over two types of presidential impoundments: (1) Rescissions -- when appropriations lapse before being spent, and (2) Deferrals -- when expenditures are delayed. For a rescission to stand, the law requires Congress to vote its concurrence. Otherwise, the rescission is automatically disapproved. Deferrals are allowed to stand unless either the House or the Senate disapproves.

During the last two Presidencies, the use of the impoundment power under the Budget Act has appeared to be declining. President Ford asked for approximately $7 billion in rescissions in 1975 and 1976 and Congress accepted about $500 million -- or 7 percent.

In the four years of the Carter administration, the President asked for rescissions totaling about $5 billion. Congress approved some $2.6 billion (52 percent). However, President Reagan, in 1981 -- a period of budget crisis -- requested $16.5 billion in rescissions, of which $1.1 billion were later withdrawn. Congress accepted $11.7 billion, or 71 percent.

Over the life of the Budget Act, the value of deferrals has exceeded the dollar value of rescissions. Yet deferrals are not really savings as they must be spent during the fiscal year.

Congressman Robert Giaimo, former Chairman of the House Budget Committee, describes the 1974 Budget Act as a bargain between the Congress and the President in which Congress agrees to curb its undisciplined spending habits in exchange for the President's surrender of his impoundment powers.[6]

Congress, in adopting the Budget Act, determined it would make the difficult political choices on spending and tax matters, rather than leaving them to the President. However, it is clear that within the framework of the 1974 Budget Act, Congress is unable to make these choices. Congress must now determine whether to restore the President's impoundment powers or to reform the Budget Act or some combination of the two. If nothing is done, our legislative process will grind to a halt.

The Budget Procedures Improvement Act of 1982 Provisions and Legal and Constitutional Basis

S. 2864[1] will replace the annual fiscal year cycle with a two-year fiscal period.

To accomplish this, the bill amends provisions of the Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344 as amended), the Budget and Accounting Act of 1921 (31 U.S.C. sec. 11 (a)), and various other provisions in Title 31 U.S. Code, in Title 1, and in other titles.

This legislation provides for authorizations in each odd numbered year and appropriations in each even numbered year. There are appropriate means for changes should they become necessary to meet unforeseen circumstances. It also directs the President to provide the Congress with a program which essentially converts annual into biennial (or longer) authorizations. This is in accord with the statement in the House Conference Report (H. Report. No. 93-1101) on the 1974 Act:

> The managers have given careful consideration to all of the elements in the budget calendar and particularly to the need for allowing adequate time for committee preparation and floor debate on each budget decision. The managers believe that in the future it will be necessary to authorize programs a year or more in advance of the period for which appropriations are to be made. When this is done, Congress will have adequate time for considering budget-related legislation within the timetable of the congressional budget process. The managers call attention to section 607 which requires advance submissions of proposed authorizing legislation, and to the expectation that Congress will develop a pattern of advance authorizations for programs now authorized on an annual or multiyear basis (31 U.S.C. 11(c)).

Rep. Richard Bolling, of Missouri, supports a two-year budget process. During debate on the conference report on the 1974 bill, he said:

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[1] See p. 664.

> I am convinced that the most sensible -- and in the long run, necessary -- solution would be the enactment of authorizing legislation in the year before the appropriations are made. If this were done, Congress would be able to proceed to early consideration of appropriations bills and the dismal practice of continuing resolutions would be ended. The conference will move in the direction of advance authorizations by requiring the President to submit requests for new authorizations in the calendar year prior to the one in which they are to take effect. The bill also calls for a study of the desirability and feasibility of advance appropriations.

S. 2846 provides that commencing in the 98th Congress and beginning on October 1, 1984, and each even numbered year thereafter, there shall be a biennial fiscal period ending on September 30 of the following even numbered year.

Consequently, appropriations will be adopted for the biennial fiscal period as well, with appropriations enacted in the second or even numbered year of the cycle.

The first and second concurrent budget resolutions are retained as well as a reconciliation act. There is also provision for subsequent concurrent resolutions should they be necessary. In the latter event, amended authorization and appropriations measures could be enacted.

There are no constitutional restrictions against the adoption of such a program. There are no authorization limits in the Constitution, and the only appropriations limit is found in Article I, Sec. 8, cl. 12 which provides, "To raise and support armies, but no appropriation of money to that use shall be for a longer term than two years." Even this restriction has been given a limited interpretation.[7]

Under the present law (see Table I above) the President submits a current services budget by November 10. He then submits his budget on the 15th day after Congress convenes. The committees and joint committees must then report to the respective Budget Committees, by March 15, their views and estimates on programs within their jurisdiction. They also include estimates of new budget authority and budget outlays. The committees then are supposed to report bills and resolutions authorizing new budget authorities by May 15.

The Budget Committees are to report the first concurrent resolution by April 15 and the Congress should complete consideration of it by May 15. By the 7th day after Labor Day the Congress should conclude action on bills and resolutions providing for new budget authority. However, the bill does not set a date for the congressional completion of authorizing bills.

The 1974 budget timetable imposes these tight procedures on all committees and on both Houses.[8] In practice, Congress has been unable to sustain the timetable and has been forced to enact numerous continuing resolutions. This is a condition the drafters of the 1974 Act had hoped to eliminate.

The timetable in S. 2864 remedies this situation by extending the annual procedure into a two-year process.

The President would submit his current services budget by November 10, and he would submit his budget by January 15 of the odd years. The committees would then immediately begin to hold oversight hearings and consider the aspects of the budget within their jurisdiction.

On April 15, CBO reports would be submitted to the Budget Committees

TABLE 3

Congressional Budget Timetable Under S. 2864, the Budget Procedures Improvement Act of 1982

FIRST SESSION

Nov 10 -- President's current services budget submitted.
Dec 31 -- JEC economic evaluation of current services budget submitted to Budget Committees.
Jan 15 -- President's budget recommendations submitted.
Jan 15 -- Program reviews begin.
Apr 15 -- CBO reports submitted to Budget Committees.
May 15 -- Committees' Views and estimates reports submitted to Budget Committees.
Jun 15 -- First Budget Resolution reported.
Jul 1 -- Authorization bills reported.
Jul 31 -- First Budget Resolution agreed to.
Sep 15 -- Committees report allocations of First Resolution amounts.
Dec 1 -- Congressional action completed on authorizing legislation.

SECOND SESSION

Jan 15 -- President's revisions to his recommendations submitted.
Mar 31 -- CBO report submitted to Budget Committees.
Mar 31 -- Spending bills reported by House Committee on Appropriations.
Apr 15 -- Spending bills reported by Senate Committee on Appropriations.
Jun 15 -- Second Budget Resolution reported.
Jul 15 -- Spending bills agreed to.
Aug 1 -- Second Budget Resolution agreed to.
Sep 25 -- Action completed on reconciliation bill or resolution, and spending bills enrolled.
Oct 1 -- Two-fiscal-year budget period begins.
Oct 1 -- Committees report findings and conclusions from their reviews and studies of programs to their respective houses.

with respect to the biennial fiscal period. These two committees would then report the first concurrent resolution to their respective Houses by June 15; and by July 31, Congress could complete action on the first concurrent resolution. Committees would report their authorizing legislation by September 15. These reports would be based on the allocations in the concurrent resolution. And under a new provision, Congress would complete action on bills and resolutions authorizing new budget authority for the biennial period by December 1.

In the second year of the cycle, i.e., the even numbered year, Congress would enact appropriations bills, the second budget resolution and any reconciliation bill, all by September 25. These actions would therefore be completed before the commencement of the next biennial fiscal period beginning October 1.

Such actions are within the authority of Congress to designate and enact. They should help remedy the present problems of meeting tight authorization, budget, and appropriations timetables, and thus avert the consideration of continuing resolutions. The extended procedure should also help avoid the necessity for waivers on authorization bills, a process that is a frequent feature under the current Act because of time limitations.[9]

In addition, a two-year budget process would be fully consistent with S.J.Res. 58, the constitutional amendment to balance the budget. This passed the Senate on August 4, 1982. The amendment clearly directs Congress to pass enabling legislation which would help put it into effect.

The detailed analysis of S.J.Res. 58, contained in the Report issued by the Senate Judiciary Committee (July 10, 1981) states clearly that the term "fiscal year," for purposes of balancing the budget, shall be defined by statute. The report states (p. 44), "The amendment does not require an immutable definition of fiscal year; other fiscal years could be defined without straining the intent."

Senator Thurmond, Chairman of the Senate Judiciary Committee and one of the floor managers of the balanced budget amendment, unequivocably stated in a colloquy with Senator Ford that, "we know of nothing that would prohibit going to a 2-year cycle," (Congressional Record, August 3, 1982, p. S9681).

Nothing in the constitutional amendment requires Congress to change the fiscal year for all government programs. The amendment addresses only the budget process and the constraints under which it shall be balanced.

In addition, it is clear from the legislative history and the debate on the Senate floor that the amendment sponsors hoped to provide Congress with substantial procedural flexibility. In a colloquy on July 27, 1982, Senator Domenici proposed that the constitutional amendment be written so Congress could establish a multiyear base period for determining the rate of national economic growth. Senator Hatch, another floor manager of the constitutional amendment, spoke in support of Senator Domenici's proposal; and it was subsequently accepted by the full Senate (Congressional Record, July 27, 1982, p. S9190).

S. 2864 and Strengthening the Overall Legislative Process

S. 2864 not only estabishes a two-year budget, but it contains several provisions to strengthen the congressional appropriations and the oversight process. The bill also provides for a more rational and efficient sharing of information between the legislative and executive branches. And, it clarifies the relationship between the budget committees and other legislative committees in the process of making line-item spending decisions. All these provisions are clearly within the authority of Congress. Specifically, S. 2864:

- Requires that enrollment of all spending bills be withheld until action on the second budget resolution and reconciliation is completed.
- Prohibits: (1) including reconciliation instructions in other than the required second resolution; (2) using budget resolutions to expand the congressional budget process to include additional aspects of government operations; and (3) directing committees, in any budget resolution, to change legislation authorizing the enactment of new budget authority.
- Requires that spending measures and budget reports include tables in which the estimates or recommendations are set forth in the same budget accounts used by the President, and requires the President to consult with committees prior to changing the budget accounts.

- Strengthens the requirement for committees to conduct oversight investigations and to report their findings to their respective Houses during each Congress. Also strengthens the authority of committees to request assistance and information from agencies and from the General Accounting Office and other legislative staff agencies, while safeguarding the protection of confidential information.

Conclusion

S. 2864 establishes a two-year budget process and strengthens Congress' ability to conduct oversight and review legislative programs.

Now that the Senate has passed the constitutional amendment to balance the budget, it is essential Congress move ahead expeditiously to strengthen the budget process.

The current process is simply too time consuming. Especially when it requires two budget resolutions each year over and above the required annual authorization and appropriations bills. Because of this enormous time commitment, Congress is left with little time for essential legislative activity. Realistically, under time constraints embodied in the 1974 Budget Act, the system is in danger of complete collapse.

Since passage of the Budget Act, the first and second budget resolution deadlines have been met only twice in 11 reporting dates.

Congress' record on appropriations is equally dismal. Since 1976, when the Budget Act took effect, there has been only one time that all appropriations bills were enacted by the beginning of the fiscal year. Even in that year a continuing resolution was needed to fund some programs.

Over the past 5 years, 13 continuing resolutions have been enacted. In fact, much of the Federal Government is still operating on a continuing resolution.

There is now less than a month before this fiscal year ends, yet Congress still has not enacted a single appropriations bill. Once again, Congress will be forced to enact another continuing resolution to keep the federal government functioning.

Congress clearly needs more time for consideration of authorization and appropriation bills. The authorization process needs strengthening so programs can effectively be reviewed and evaluated. The work of oversight committees also needs to be integrated into the work of the appropriations committees as well as into the budget.

Only by providing congressional committees with sufficient time can Congress hope to regain fuller control of its legislative, budget, and appropriations responsibilities. Only then will the budget be based on a full economic review of legislative proposals as well as economic considerations of the moment.

The present ability of Congress to gain control over the budget is in serious doubt. The weight of prior-year obligations and automatic expenditures built into the budget is causing us to drown in a sea of increasing deficits.

Unless this situation is rectified, Congress will, in effect, lose its ability to legislate. Government will continue to operate on a kind of "automatic pilot." There will be little effective oversight of current policy, and the budget will remain ladened by "uncontrollable" spending.

It is Congress' responsibility to ensure that legislation is carefully considered and spending policies brought under control. For these reasons, it is essential Congress move to a 2-year budget cycle.

With this cycle, Congress would see the results of the first year's decisions by the second year, and thus be able to make any requisite corrections. Congress would have the needed time to review the major Federal programs and consider new ones. And, Congress would have twice the time it now has to make the necessary decisions on appropriations and budget.

FOOTNOTES

[1] Section 501 of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) changed the start of the fiscal year from July 1 to October 1, effective beginning with fiscal year 1977.

[2] Dan Quayle, "Redress the Balance on Presidential Budget Impoundments!", The Journal of the Institute for Socioeconomic Studies, Vol. VI, No. 4, Winter 1981-82, pp. 9-21.

[3] Statement by Charles A. Bowsher, Comptroller General of the United States, on "Budgeting, Accounting, Program Analysis and Auditing: Roles and Relationships for the 1980's and Beyond," George Washington University, November 20, 1981, p. 8.

[4] Congressional Record, November 13, 1979, page H 10607 (daily edition).

[5] Robert A. Keith, "An Overview of the Use of Continuing Appropriations," Congressional Research Service, September 26, 1980, pp. 10-11.

[6] Robert N. Giaimo,"Congress Must Get Serious," Washington Post, June 4, 1982.

[7] Analysis of S. 2008 by American Law Division of CRS.

[8] Senate Committee on the Budget, 95th Congress, 2d session, January 18 and 19, 1978, pp. 28-34.

[9] Allen Schick, Congress and Money (1980), p. 461.

Senator QUAYLE. I was reading through the testimony of Senator Chiles, which goes into a number of substantive reforms. The regulatory budget process is a new approach to how we are going to assess the cost of regulations. I know that the both of you and Senator Gorton think the issue of credit reform is something that we really have to deal with. I know that Senator Gorton has taken the lead on that particular issue.

You talked about the balanced budget amendment. We have passed the constitutional amendment. Now there is some discussion if we are going to put it into statute rather than have it in the Constitution itself.

BUDGET PROCESS CALENDAR

Mr. Chairman, let me just briefly summarize, the legislation that Senator Ford and I have introduced.[1] It basically deals with the budget process on the calendar, and how we are going to, in a logical, practical way, deal with the budget process. We do not get into any of the issues of whether the revenues ought to be committed to a certain amount of GNP, or spending ought to be limited to a certain amount of GNP. It basically deals with the calendar.

Senator Baker emphasized on the floor this morning, that tomorrow—maybe tomorrow we might be able to take up our first appropriation bill. We must pass 13 appropriations bills. He says this is the only one that has been handled according to the process, the proper way. Yet we are within 10 days of adjourning until the lameduck session, and we will come back and pass the continuing resolution then.

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[1] See p. 618.

My concern, Mr. Chairman, is that we must strengthen the budgetary process. I am a strong supporter of not only what you have done with this Budget Committee, but the Budget Committee in general. There are others on the Hill that disagree with me. They would like to go back to the old days, where they just had the authorizing committees, and appropriations committees. I never served in that time, but from the gleaning of information that I have been told, and what I have read, certainly those times were chaotic. I think they would be a lot more chaotic today if we did not have the budget process.

So my sincere desire is not to do any kind of harm to the budget process, but to strengthen it. The question is, How do we strengthen it?

First, I would like to say that there has been a question raised concerning Congress lack of political will or political consensus. How are we going to get a strong budget process if Congress wants to make an end run. Congress is going to go ahead and make an end run any how. Some people say we are confused, these are confusing times, we are in a transition, let us wait.

I would say no to that, and that is why I commend you for having these hearings, for at least getting the ball moving.

Basically, our legislation deals with the calendar. What we do is move from an annual budget to a biennial budget. Essentially, we want to emphasize two things, basically: one, moving to a biennial—here, sit up here. I just went ahead and started, to accommodate the chairman. He said he would like to get finished.

Senator FORD. I want to accommodate the chairman.

Chairman DOMENICI. Senator Ford, for once we got through early, and he just started. We want to welcome you, and since you asked to appear together, he has started, and we will let the two of you decide how you want to handle your time. We have until 12, so I am sure we are going to have plenty of time to get your testimony in.

Senator FORD. I would like to make a short statement, and any questions that you might have, if you will submit them to me, I will respond to you in writing.[1]

Chairman DOMENICI. That would get us out even earlier.

Senator FORD. Yes. That might help a whole lot more.

Senator QUAYLE. You missed 5 minutes of an eloquent statement; I will indulge you for another minute, and then I will turn it over to you.

Senator FORD. I see your people in the audience, and I am sure it has been taped.

MOVE FROM ANNUAL TO BIENNIAL BUDGET

Senator QUAYLE. Are those my people or yours?

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[1] See p. 318.

Any way, let me—I was just getting down to basically two reasons that I feel are very important for moving to the biennial budget.

One, that the calendar established now is simply not working. We can change the process on an ad hoc basis, or an incremental basis. In fact, we have already begun to do this. We have really moved to a single budget. We do not have a second budget resolution, in my 5½ years in the Congress, the second budget resolution, if in fact it ever passed, which was usually in the closing days, was never debated very much, and was not even worth the paper it was written on.

Reconciliation no longer is attached to the second budget resolution. It is put up in front, in the first resolution. That is where we had the true success, and the turnaround last year and again this year. We had reconciliation up front.

So in fact we have changed. We have changed the process in practice. So I believe that we ought to go ahead and to complete that change, and get to a discussion of what kind of a calendar we ought to have.

I do not believe the Congress is capable of handling a $750 billion or $800 billion budget on an annual basis. I think we have to have breathing room, and I think we have to unclutter the process, go to 2 years, emphasize stability for Government contracts and Government expenditures, and then allow time for oversight, and give the authorizing committees some sort of maneuvering room.

Right now they feel squeezed. You can see that by the amount of legislation that has come out of the authorizing committees this year. Very minimal. In fact, all the authorizing is going to be done on the appropriation bills, and the system is simply—is just simply broken down, at least the procedure is. I think that the bill that we have introduced would certainly strengthen that system.

I am a strong supporter of the budget process. Our bill will allow us more time to do what we want to do, and that is to have a Budget Committee, have the authorizing committees, and have the Appropriations Committees have a calendar that is reasonably achievable. The calendar that we have now is not achieveable.

CONTINUING RESOLUTIONS

Just to cite the fact that we have had continuing resolutions ever since, since 19—well, we have had them for a long time; we have had 13 or 14 since 1976, and we continue to operate on continuing resolutions. That is a bad way to conduct the Government's business. It is a bad way even to conduct private business, for that matter. The budget process would be enhanced dramatically with the passage of the bipartisan bill that Senator Ford and I have been able to put together. He and I and our staffs have worked together, and we feel it is a truly significant step forward to bring a little bit more accommodation to a process that we can meet these deadlines on a practical, effectual basis.

Thank you, Mr. Chairman.

Chairman DOMENICI. I might suggest to both of you, as evidence that things are out of kilter, we rather regularly address the appropriation process and talk about it, not getting finished, or having continuing resolutions.

We will have, and we will share with you, a GAO evaluation, which should be ready in about 1 week, that is going to go back about 15 or 18 years, and analyze the legislative history as to why we had continuing resolutions versus individual bills.

I think it will be enlightening. You are going to find various and sundry reasons, not merely the clutter that is allegedly due to the budget process.

But in addition to further proof that you are concerned about authorizing committees having breathing room, and getting into this system where they are making the law, we passed very few authorizing bills this year, but I would say to both of you, we have 8 requests for waivers now before the committee, almost all authorizing bills, and we have been informed by the committee that there are 15 more now at this time of year, and remember the purpose for the waiver was that we all expected authorizing to be through by May 15. Since they were late, and you know how late, almost over with, we have 10 days to grant the waiver, only on the timeliness, and the only reason we could turn it down would be if we found that there was just cause for them to have reported this legislation sooner.

All of it is out of whack, it would appear to me, not just the appropriations process. And whether the authorizing committees feel they are getting cut out of the cycle or not, my understanding from many of them is that they do feel that way. I do not know how we get that changed.

Your notion of 1 year of oversight and authorization would say, from the standpoint of policy, that is what we want you to do, and they would have an awful lot of time to do it. That aspect I like. I have some great concerns about the budgeting and appropriations for everything on a 2-year cycle. But I commend you both, and I would like to hear from you, Senator Ford.

STATEMENT OF HON. WENDELL H. FORD, A U.S. SENATOR FROM THE STATE OF KENTUCKY

Senator Ford. Mr. Chairman, I thank you, but let me preface my remarks to say that I am a strong advocate of the budget process.

The only quarrel I think I have with it is the same quarrel all of my colleagues have, that is the insufficiency of time to do the kind of job that I know that we have the qualified individuals to do if time permitted. If we can give them the vehicle, or the skeleton on which to put the meat, as relates to the budgeting process, then I think we will have made a contribution.

If Senator Quayle and I do nothing else, we have at least caused the Senate side to stop a few moments and to look at what we have proposed, and to consider it.

Second, having served as Governor, I understand the vital role of Federal funding. I have seen the frustration at the State level, and at the local level, as to whether they will or will not have adequate and timely Federal funding, and they will second-guess, and they may have to borrow money in order to continue their program until we complete our last-minute continuing resolution.

If they pay that interest, they have diluted their ability to perform what we expect of our State and local communities. So the budget process is not something that we are opposed to. We see it as basically good, but not working as well as it should.

Mr. Chairman, I am grateful for the opportunity to appear before your committee today during your hearings on the congressional budget process.

With your permission, I would like to submit my full statement for the record, and confine myself at this time to a brief summary.

Chairman DOMENICI. It will be made a part of the record. We thank you, Senator.

Senator FORD. I thank the chairman.

STATEMENT OF
SENATOR WENDELL H. FORD
BEFORE THE
SENATE COMMITTEE ON THE BUDGET
REGARDING THE
CONGRESSIONAL BUDGET PROCESS
ON
SEPTEMBER 23, 1982

Mr. Chairman and Members of the Committee, I am very grateful for this opportunity to appear before this Committee during your hearings on the congressional budget process. All of you, I am sure, know that on August 19, 1982, Senator Quayle and I introduced S.2864, the "Budget Procedures Improvement Act of 1982." S.2864 amends the Congressional Budget and Impoundment Control Act of 1974, the Budget and Accounting Act, 1921, and the Legislative Reorganization Act of 1946 for the purposes of:

1. Establishing a two-year budget process. The budget for each two-fiscal year budget period is considered and enacted throughout both sessions of the preceding Congress.

2. Strengthening the procedural safeguards by prohibiting: (1) including reconciliation instructions in other than the required second resolution; (2) using budget resolutions to expand the congressional budget process to include additional aspects of government operations; (3) directing committees, in any budget resolution, to change legislation authorizing the enactment of new budget

authority; (4) enrollment of spending bills until action on the second budget resolution and reconciliation is completed; and (4) considering reconciliation bills or resolutions or amendments thereto which make changes in legislation unrelated to the levels of budget authority, outlays, revenues, or the public debt.

3. Requiring that spending measures and budget reports include tables in which the estimates or recommendations are set forth in the same budget accounts used by the President, and requires the President to consult with committees prior to changing the budget accounts.

4. Strengthening the requirement for committees to conduct oversight investigations and to report their findings to their respective Houses during each Congress. Also strengthens the authority of committees to request assistance and information from agencies and from the General Accounting Office and other legislative staff agencies, while safeguarding the protection of confidential information.

These four points are amplified in the remainder of this statement.

I. TWO-YEAR BUDGET

It has been my experience that our present budget process has become increasingly unrealistic. The annual appropriations process was not working prior to the enactment of the Congressional Budget Act of 1974, and the additional requirements established by that Act have made things worse. The pretense of acting as though it does work costs us dearly in time, money, and effort, but the greatest cost may be incalculable, the cost of poor decisions, made in haste, with inadequate consideration of the need or the consequences. The time has come for us to accept the realities that in our complex modern society, goverment economic planning, budgeting, and appropriations simply cannot be done constructively in a 12 month period. Moreover, it is unnecessary for most, if not all, of our government activities to go through the authorization, budgeting, and appropriations steps every year.

By making these essential procedures serve for a 24 month period, we can do a better job. We can actually do what we now pretend to be doing. We can save money. We can save time to devote to oversight and other important legislative activities. We can better meet the planning needs of State and local governments. We can establish and foster a measure of stability and discipline in government spending which can have a significant beneficial effect on reducing inflation. And we will lose no flexibility in meeting unforeseen changes, since supplemental appropriations bills will become easier to move through a biennial budget Congress when they are needed.

The schedule for the two-year budget cycle is set forth in Section 3 of the bill, as amendments to the Congressional Budget Act. Section 4 of the bill sets forth corresponding changes to other parts of the Budget Act, and Section 5 sets forth corresponding changes in the Budget and Accounting Act of 1921, which pertain to the submission of budget recommendations by the President.

The schedule proposed in S.2864 is:

FIRST SESSION

Nov 10 -- President's current services budget submitted.
Dec 31 -- JEC economic evaluation of current services budget submitted to Budget Committees.
Jan 15 -- President's budget recommendations submitted.
Jan 15 -- Program reviews begin.
Apr 15 -- CBO reports submitted to Budget Committees.
May 15 -- Committees' Views and Estimates reports submitted to Budget Committees.
Jun 15 -- First Budget Resolution reported.
Jul 1 -- Authorization bills reported.
Jul 31 -- First Budget Resolution agreed to.
Sep 15 -- Committees report allocations of First Resolution amounts.
Dec 1 -- Congressional action completed on authorizing legislation.

SECOND SESSION

Jan 15 -- President's revisions to his recommendations submitted.
Mar 31 -- CBO report submitted to Budget Committees.
Mar 31 -- Spending bills reported by House Committee on Appropriations.
Apr 15 -- Spending bills reported by Senate Committee on Appropriations.
Jun 15 -- Second Budget Resolution reported.
Jul 15 -- Spending bills agreed to.
Aug 1 -- Second Budget Resolution agreed to.
Sep 25 -- Action completed on reconciliation bill or resolution, and spending bills enrolled.
Oct 1 -- Two-fiscal-year budget period begins.
Oct 1 -- Committees report findings and conclusions from their reviews and studies of programs to their respective houses.

The essential pattern of the congressional authorization, budget, and appropriations process is retained in S.2864, but some improvements which become possible in a two-year cycle are incorporated. For example, Congressional action on authorizations, which all occur in the first session of a Congress is completed before the appropriations process begins in the second session. I might point out that the idea of an authorization year and an appropriation year was proposed by Senator Magnuson over ten years ago. In the current one-year cycle, authorizations are supposed to be reported before appropriations bills, but it is a fact of life that the appropriations committees begin their work concurrently with the authorizing committees and that the ideal of an "authorization, then appropriations" sequence is not realized.

Under our bill the Views and Estimates Reports submitted to the Budget Committees by other committees will be due one month after the due date for economic forecasts from the Congressional Budget Office. This will enable committees other than the Budget Committee to use the CBO analyses in their own deliberations, and better enable the Budget Committees to use the CBO analyses and committees' views and estimates in their deliberations on the first budget resolution. It isn't possible to really do that now because these events are scheduled too close to each other.

Committees would be given six weeks to report their allocations of the first resolution totals among programs within their jurisdiction. It is not possible to state whether this is more or less time than the present Budget Act provides because the present Budget Act just requires that these reports be filed "as soon as practicable" after the first budget resolution is agreed to. In practice, these reports generally have been filed (except for recent years because of the reconciliation instructions) within a few days of the agreement to the conference report on the first budget resolution. One of the reasons that we are proposing so much more time for these reports, and, as you will see in Part III, proposing a requirement for them to include budget account detail, is that we would like to see them become what they were intended to be, occasions for meaningful analysis and debate of alternatives within committees.

Far more time is provided for the second budget resolution and reconciliation. Six weeks will be provided for the second resolution, which can be more controversial than the first because of its binding character and because it can contain reconciliation instructions. And eight weeks are provided for committees to carry out their reconciliation instructions, for the committees' work to be consolidated into an omnibus bill or resolution, and for Congress to act on the reconciliation measure. The Budget Act only allows ten calendar days for this now.

In the Senate the time for debate is extended from 20 to 100 hours. Mr. Chairman, this will correct one of the most serious flaws in the current process, the lack of adequate time to deal with measures as profoundly significant as the second budget resolution and reconciliation. Like most of the other shortcomings, this one is the result of trying to pack too many events into a one-year cycle, and it is a problem that is easily solved by moving to a two-year cycle.

Moving to a two-year cycle would have been too much of a change to make in 1974 as part of the original Congressional Budget Act. But the changes of 1974 have become established, and it is timely now to move beyond them and to refine them in the light of our experience.

II. STRENGTHENING THE SAFEGUARDS IN CONGRESSIONAL BUDGET PROCEDURES

Mr. Chairman, with respect to other aspects of Congressional budget procedures, our proposals breaks down into five points. Four of them are not new, but merely clarify the original intent of the Budget Act. The fifth takes a procedure which the Budget Act now provides as an option and makes it mandatory.

The first point is to include a specific prohibition, enforceable by a point of order, against including reconciliation instructions in a first budget resolution. It was never intended that reconciliation instructions be in the first resolution, and it distorts the congressional budget process for them to be included. It is a serious flaw in the Budget Act that its intent can so easily be overridden. This proposal serves only to prevent from happening that which was not supposed to happen in the first place.

The second point is to prevent the budget process from being expanded through provisions in Budget Resolutions to include additional subject matter, such as Federal credit programs. This is discussed further in the attachment, which contains answers tothe questions which were attached to your letter of August 31, 1982. See Question D.2.

The third proposal is a specific prohibition, again enforceable by a point of order, against reconciliation instructions in the second resolution (or a revision thereto) which deal with authorizations. This too was never intended by the Budget Act. The legislative history, as Senator Hatfield has pointed out on several occasions, is quite clear on this point. Including such instructions is another distortion of the congressional budget process, and the fact that it has been done is further evidence of a weakness in the Budget Act which this proposal is intended to correct.

Such a distortion of the budget process is unnecessary. All the spending reductions that are desired can be achieved by instructing the Appropriations Committees to reduce appropriations by specified amounts, and by instructing authorizing committees to reduce direct spending within their jurisdiction by specified amounts. It is not necessary to good budget procedure to distort committee responsibilities and undermine the integrity of the authorization and appropriations processes in this way.

Now, I think I can see two reasons why it may have seemed desirable to some to include reconciliation instructions in the first resolution. In the first place, the current law, in the ten days scheduled for reconciliation, does not provide enough time for work of any magnitude or controversy. The two-year process and the additional time for the second resolution address that need.

The second reason is that spending bills move through to enactment before the second resolution is agreed to. While in 1974 it may have seemed sensible not to deal with this problem, it now seems ludicrous that individual bits of the budget are finalized piece by piece before the budget as a whole is agreed to. The practical effect is often that bills come to the floor which cost more than was envisioned at the time of the first resolution and which take up room in the budget which either squeezes out other important bills or forces up the ceilings. I can readily sympathize with the frustration of the chairmen and other members of the Budget Committees as they try to deal with these horses slipping out of the barn one by one and can appreciate why they chose some of the procedures they have.

Our fourth point is simply not to let the horses out of the barn until we are ready to let them all out together; that is, to withhold enrollment of all appropriations and other spending measures for the applicable two-year fiscal period until action on the second resolution and any reconciliation measure for that two-year period is completed. Everything would be completed except enrollment. The appropriations and other spending bills would have been through both houses. They would have been through conference. And the conference reports would be agreed to. But they would not yet have taken on the status of enacted law, with all the overtones of finality that conveys to agencies and to the public. In the aggregate, they would constitute the budget, final except for one last step -- the second resolution and reconciliation. Think how much more orderly, how much more rational this would be, Mr. Chairman, for the second budget resolution to have been agreed to, for precise changes to have been prescribed in a reconciliation resolution, for the Clerk of the House and the Secretary of the Senate to have made the changes in the spending bills pending enrollment, and then -- and only then -- for the President to be sent a set of bills which are all in accord with the budget resolution, in total and in detail, and which together constitute the Federal budget.

The fifth point is just to further close off another possibility for use of the budget process, and specifically the reconciliation process, for non-budgetary legislative change. This would be done by prohibiting consideration of reconciliation bills or resolutions or amendments thereto which contain non-budgetary provisions. This is in recognition of the fact that committees might see a reconciliation bill as a piece of "must" legislation, and, include, on their own initiative, in the materials submitted to the Budget Committee in compliance with reconciliation instructions, extraneous matters that would have a poor chance of being enacted any other way. Such a misuse of the budget process should not be allowed to continue.

Now Mr. Chairman, I should spend a minute or two on what these proposals would not do. S.2864 would not prevent the President from substituting his proposals for those drafted by committees. When an omnibus reconciliation bill or resolution comes up on the floor, any member could move a substitute and that substitute could readily reflect the President's wishes. And I would like to make another point. While reconciliation would be specifically prohibited in the required first resolution or in a revision thereto, it would be specifically provided for in the second resolution or a revision thereto. So you could have, for example, during a two-fiscal year period a revision to the second resolution for that period, which could include reconciliation instructions and which could significantly change spending levels for that period.

III. STANDARD BUDGET ACCOUNTS

Mr. Chairman, the Budget and Accounting Act, 1921 requires the President of the United States to submit to the Congress a proposed budget for the next fiscal year. The Act also specifies some of the information to be set forth in the submission. The President's submission has for years been set forth in four books: a brief summary entitled The United States Budget in Brief, a compendium of special analyses entitled Special Analyses, Budget of the United States Government, the actual budget document itself, entitled Budget of the United States Government, and a volume of additional details entitled, Budget of the United States Government, Appendix.

That the budget be presented in the form of these four documents is not required. It is just done that way. The heart of the structure is a table, known as the "Budget Accounts Listing," which, in the fiscal year 1982 budget ran 180 pages (from page 369 through 548) and which contains approximately 1250 separate budget accounts, arranged by agency and bureau, and cross-coded to the 18 Federal functions and the 70 subfunctions.

Nothing in the Budget and Accounting Act requires the President to set forth his proposals in the Budget Accounts Listing, or gives any guidance or imposes any restraints on changes in the Budget Accounts Listing from one year to another. Because it would be a big effort to send up a wholly new structure each year, the Budget Accounts Listing does not change extensively from year to year, but it changes enough to be a source of confusion now that the Congress is involved in the budget process more extensively and with more attention to detail than ever before. Part of the problem is inadequate prior information on the changes which will be in a new budget, so a lot of time is wasted just playing catch-up with the new accounts, with the deleted accounts, with the renumbered accounts, with the new agencies and bureaus, and with accounts that have lost activities to or gained activities from other accounts. All this reduces the time available to deal with substantive issues. We are at risk here in that only the restraint of inertia keeps the volume of changes from rising to a level where it becomes impossible to deal with any questions of substance.

Then the problem is compounded within the Congress because of the individualistic behavior of committees. None seem content to just work with the account structure submitted by the President. Each appropriations subcommittee reports a bill that has a table with its own account structure. As in the case of the President's budget from one year to the next, there is a familial similarity, and many line items which are the same. But there are others that are different. And the Congressional Budget Office, in its five-year projections, has its own account structure. The Senate Budget Committee has developed its own unique "mission" structure, which in some cases is the same as the federal subfunctions and in some cases is not. The authorizing committees in their Views and Estimates Reports to the Budget Committees exhibit great variety. Some include no account detail at all. Some use OMB accounts, some may use CBO accounts. Spending bills reported by authorizing committees seldom, if ever, have budget account detail, thereby making comparisons with even the highly aggregated reports of allocations of budget resolution totals virtually impossible.

The point, Mr. Chairman, is not that any of these structures are wrong or that they don't serve a purpose. Each and every one is, I am sure, pleasing and meaningful to its developers. This is a reflection of the scripture which tells us that the way of a man seems right in his own eyes. The point, the problem, lies in the diversity itself and in the difficulty this adds to tracking through the process and in relating one event to another. Each committee, each office, feels it has an inalienable right to its own structure and everybody else can just conform to their way if they want things to look the same. Confusion reigns supreme. When you reflect on it, it is hard to believe that we try to formulate the budget for our federal government in such a fashion.

The solution we propose has two parts. The first is a new requirement that the President's budget include a Budget Accounts Listing and that before making any changes in the Listing from one release to another, that there be consultation with the Budget Committees, the Appropriations Committees, and the authorizing committees with legislative jurisdiction over the programs funded through the accounts to be changed. Just to get things started I propose that the Budget Accounts Listing in the fiscal year 1983 Budget be used as the base. I imagine that this provision will have to be modified when the fiscal year 1984 budget comes out. We will probably want to make that the base, but right now the 1983 Budget Accounts Listing is the latest one we have. This approach reflects the advice of Thomas Jefferson who wrote the following comment on the necessity of rules in his *Manual of Parliamentary Practice*:

> "And whether these forms be in all cases the most rational or not is really not of so great importance. It is much more material that there should be a rule to go by than what that rule is; that there may be a uniformity of proceeding ... not subject to caprice ..."

The second part of our proposal is even more simple. It is that the Congress be required to use the Budget Accounts Listing set forth in the President's budget. Tables in appropriations bills would have to show the same accounts as the President's budget. CBO projections would have to use them. Reports accompanying the first and second budget resolutions would have to include them, even though these would not be binding but would merely indicate the Budget Committees' assumptions. Views and Estimates Reports would have to include this level of detail, as would reports of the allocations of budget resolution totals. Spending measures reported by authorizing committes would have to include such tables too for the accounts affected by the measures, thus providing a basis for ready comparison between committees' allocation reports and their legislation. This alone could save the Senate hours of floor time by eliminating disputes over whether a level of spending was or was not assumed in the budget resolution and included in the allocations.

Within these constraints the President would be allowed to include new accounts in his budget, without prior consultation, solely for purposes of presenting new programs. This would preserve the prerogatives of the President to protect the confidentiality of his proposals until he is ready to release them. I think that we could live with that amount of surprise quite well. And committees would be allowed to include new accounts for the same purpose, but in this case, some central authority is needed to ensure consistency within the structure. I propose the Congressional Budget Office for this responsibility.

Mr. Chairman, it is hard to overstate the benefits that would flow from our beginning to speak a common language and being able to understand each other. This could be a significant step toward achieving a truly integrated budget decision system, something we can now only pretend to have.

IV. COMMITTEE OVERSIGHT

The fourth major part of the S.2864 is an amendment to Section 136 of the Legislative Reorganization Act of 1946 (as amended by the Legislative Reorganization Act of 1970 and the Congressional Budget and Impoundment Control Act of 1974) which deals with requirements for committees to review programs within their jurisdiction. Section 136 now requires that committees report to their respective houses by March 31 of the first session on their review activities in the preceding Congress. This is too late to be useful to the committees. In S.2864, the reporting date is moved up to October 1 of the second session so that the results are available at the start of the first session of the next Congress, which is devoted to program reauthorizations. Authorizing committes should be able to use most of the second session for these reviews and to use the reviews in their reauthorization work in the first session of the following Congress.

A synopsis of the provisions under this heading is set forth below:

Amends Section 136(a) of the Legislative Reorganization Act of 1946 (as amended by the Legislative Reorganization Act of 1970 and the Congressional Budget Act of 1974) to---

1. provide that committees should begin conducting reviews and studies of programs on January 15 of each first session and report their findings and conclusions to their respective houses by October 1 of the second session;

2. provide that these reviews and studies should constitute the basis for a committee's legislative work during the succeeding congress;

3. authorize chairmen and ranking minority members to request information and assistance from heads of agencies in conducting such reviews, including the final budget recommendations and justifications submitted by agencies to OMB;

4. authorize chairmen and ranking minority members to request the Comptroller General to provide summaries of any audits or reviews conducted by the GAO in the past six years regarding programs being studied by committees;

5. authorize chairmen and ranking minority members to request assistance from legislative staff agencies in conducting reviews and studies of programs;

6. clarify that chairmen and ranking minority members may request information for such studies and reviews to be provided on computer tape and that agencies are not required to charge a fee when information is provided in this fashion; and

7. clarify that the study and reporting requirement does not require the public disclosure of national security information or other information the disclosure of which is protected by law.

Mr. Chairman, this represents a reasonably full description of S.2864. I believe the bill proposes constructive changes which are sensible, fair, and desirable. I urge the Committee to give these proposals careful and serious attention.

Senator FORD. All of you, I am sure, know that on September 30, 1981, I was joined by Senators Pell, Bumpers, and Danforth in introducing S. 1683,[1] a bill to change our budget cycle from 1 to 2 years, and to make other necessary improvements in the budget-making process.

You also know that earlier this year Senator Quayle introduced S. 2008,[2] on January 25. Senator Quayle and I have since come together on a very similar proposal which includes certain provisions of both of the earlier versions.

The measure now is S. 2864,[3] the Budget Procedures Improvement Act of 1982, which we introduced on August 19, 1982.

I have noted with satisfaction that not only is the biennial budget proposal being given attention within Congress, but also that the American press is beginning to pay greater attention to this issue. Public discussion of this issue is important because a general consensus on a 2-year budget will be necessary before we embark on such a venture.

I want to compliment you, Mr. Chairman, and the other members of your committee, for including this topic in your hearing. I am grateful to you.

PRESENT BUDGET PROCESS UNREALISTIC

It has been my experience that our present budget process has become increasingly unrealistic. Annual budgets and appropriations have not really worked for years, and the additional requirements of the Budget Act have made matters, in my opinion, worse.

I need not remind you that we began this fiscal year with only one of the regular appropriations bills having been enacted, and it is possible that we will begin fiscal year 1983 without even one. In my opinion, the tragic stalemate we have reached in providing funds for the operation of the Government stems quite largely from our retention of an archaic annual approach to budgeting, which simply does not afford time for the executive and the legislative branches to budget and appropriate effectively. The time has come to face up to the realities that in our complex, modern society, Government, economic planning, budgeting and appropriating cannot be done constructively in a 12-month period.

Moreover, it is unnecessary for most, if not all, of our Government functions to go through the authorization, budgeting and appropriations steps every year.

I believe there are many reasons that we should go to a biennial budget process. I plan to mention the key ones at this time.

BIENNIAL BUDGET PROCESS WOULD ALLOW MORE TIME FOR DECISIONS

First, it would allow the executive branch in Congress more time to analyze the thousands of budgetary decisions which must now be made annually. The administrations would have months instead of weeks to prepare a budget, and Congress could be allotted sufficient time to hold hearings, and to debate administration proposals, even after oversight was conducted.

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[1] See p. 571.
[2] See p. 664.
[3] See p. 618.

The annual appropriations process restricts informed debate—let me underscore that—the annual appropriations process restricts informed debate on the budget and on consideration of major policy issues. It does not allow the executive or the legislative branches to ever really measure a program, or agency against established goals.

We are unable to measure those agencies against the goals that we have established for them.

Both branches are forced by the time constraints to limit themselves to reviews, which are little better than pro forma for most of our programs. Very limited time, if any, can be devoted to program review, proper planning, and again, consideration of major policy issues.

The current annual appropriations process constitutes one of the most formidable barriers to long-range and more comprehensive policy development. A multiyear perspective is required to forsee the impact of policy changes, and to understand the opportunities for allocation of our resources.

I believe the 2-year budget period will provide an opportunity for Congress to focus more on program effectiveness and to engage in systematic oversight, something which is not now being done.

BETTER PLANNING POSSIBLE WITH BIENNIAL BUDGET PROCESS

Second, it will enable Federal agencies and State and local governments to plan better, to plan for the implementation of the programs. Moreover, it will relieve the uncertainty associated with annual appropriations, which will result in an improvement of delivery of Government services at all levels.

We agree pretty much among ourselves, I think, that State and local governments must be provided advance notice of how the Federal budget cuts will impact their plans and their budgets. However, the annual budget cycle fails to give these governments such lead time. States and localities often are forced to wait until the first day of the Federal fiscal year to learn at what level, or even whether a program will be funded.

An important goal of the biennial budget proposal is to reduce this unnecessary waste, and mismanagement, by providing advanced notice of most budgetary decisions. As a former Governor, I have had considerable experience with a 2-year budget. We were able to develop programs to the maximum extent through long-range planning. A 2-year Federal budget would greatly facilitate the ability of State and local governments to give stability and direction to programs under their jurisdiction. This is something State and local governments do not have now, and it is directly because of the limitations and complications created by the annual appropriation cycle at the Federal level.

BIENNIAL CYCLE WILL INJECT SPENDING DISCIPLINE

Finally, Mr. Chairman, I believe that the biennial cycle will inject a spending discipline throughout the Government, which can have a significant beneficial impact on reducing inflation. It might even restore a certain amount of stability to Federal fiscal policy, and thereby to the economy as a whole.

Let me just add that I do not believe that we will lose any stability in meeting unforeseen changes in our economy. Since supplemental bills will be even easier to move through a biennial budget Congress, when they are needed. I hope all my colleagues will look seriously and carefully at S. 2864. It has merit, and deserves thoughtful study.

I believe it can help us not only save money in the aggregate, but that it will also help us make the difficult allocation decisions which are essential to achieving a balanced budget.

Mr. Chairman, in addition to my submitted statement, I will supply my comments to the questions you sent with your letter, and I will be happy to answer any additional questions that your committee might ask.[1]

Chairman DOMENICI. Thank you very much, Senator Ford.

Senator Quayle, did you have anything further?

BIENNIAL PROCESS WILL GIVE MORE TIME TO THINK

Senator QUAYLE. No, I just want to emphasize a point that both of us have made. A biennial process will give us time to reflect and think about what we are doing. It is going to emphasize not only oversight, but emphasize a discussion of what these programs are, are they working properly, and what should be done.

Right now the only thing that we do is crunch numbers around here. Let us face it. We crunched numbers in the budget, and now we are going to crunch numbers in the continuing resolution, and there has been very little substantive discussion on an oversight basis; I think that the biennial budget process is the only way to go.

I hope that we might be able to convince some of those stalwarts in the budgetary process that want to see an improvement in the system, but are reluctant, for various and sundry reasons, not to support a change from the annual to the biennial budget process; we can join forces at some place down the road and get an improved system.

Senator FORD. Mr. Chairman, let me just add a point.

A 2-year budget process is not a panacea. It will not solve all our problems. But I am convinced that it is a step in the right direction. We have capable individuals that are limited, in my opinion, to give a thoughful consideration that is necessary, and that that time is expanding, that is all we are trying to do, just expand it, and that those who are given the responsibility, I think we would be amazed at what will come out and what we can do, as it relates to stabilizing our fiscal policy.

Chairman DOMENICI. Senator Quayle, I have only one question, and I hope you do not misunderstand what I have been saying for the last few days.

I am looking for the same thing you are looking for, and I am looking for the same final product that your composite bill, which you both put together, Senate bill 12—what is the last one?

Senator FORD. S. 2864.

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[1] See p. 318.

CHANGES IN AUTHORIZING LAWS

Chairman DOMENICI. Yes. I am just as concerned as you are about the authorizing committees kind of being out of the process. But I would suggest that you make a point on—in your prepared remarks, that you would prohibit directing changes in authorizing laws through reconciliation.

As you know, that was done last year, in the first round, but not this year, in the 1982 reconciliation, unless one includes direct spending authorization bills as being authorization, such as food stamps.

But I know that it was very controversial at the time that we did it, but it did in a very real sense uplift the role of the authorizing committee, and they had to look at their package of programs, and make some decisions on level of funding that they might expect the appropriators to place on those particular programs.

Actually, the thesis behind it, just to be honest with you, was twofold. One, that to do otherwise in a year of major restraint in the appropriated accounts, was going to be the entire 30 billion in reductions, up to the appropriators to make from the myriad of authorizing bills that were on the books, thus putting an almost insurmountable burden on them, but in addition, in a very real way, cutting the authorizers out of the system almost entirely, in that it would be up to the appropriators exclusively.

Now, I do not know that it is the right answer, but I certainly think the good thinkers, as we proceed through trying to reform the process, ought to have in mind putting the authorizing committees into a maximum posture of policymaking, rather than watering down what tools we have.

So I am not sure that reconciliation as it is would clear again with a mandate against authorizing committees. It was not challenged on the floor, as you both know. We think it would have prevailed, and we think the precedent would not be an accidental precedent, but one that you could find in the bill, in law.

WHY REMOVE RECONCILIATION AUTHORITY

But I would be very interested in why you suggest removing, as a matter of affirmative law, in a new budget process, that reconciliation authority?

Senator QUAYLE. Well, Mr. Chairman, I certainly supported you and was enthusiastically behind the approach that you——.

Chairman DOMENICI. And you worked hard on that.

Senator QUAYLE [continuing]. And others took in the 1981 reconciliation, which was perhaps the most massive piece of substantive legislation that has passed the entire Congress. I supported that. We were in a time of trying to get a handle on things, and get a new direction, so I do not want to let the record go that I was not—or any indication that I was not strongly supportive of what was accomplished and done through reconciliation in 1981.

But now that we have had reconciliation, and it was used as a vehicle for substantive change of authorizing legislation. The authorizing committees at that time were part of the many conferences—I remember sitting in on a number of the many conferences on Labor and Human Resources, they became a part of the process, and that was all in response to reconciliation, and consequently nothing was really done in the committee. Everybody was just concerned with reconciliation. That was it.

I think that if we are going to have the three separate entities, budget, authorizing and appropriations, then we ought to designate what their functions really are.

Reconciliation was not even supposed to be incorporated basically in the first budget resolution. We always do these things around here by political will, and the consensus at that particular time.

What I am doing, Mr. Chairman, is trying to define, trying to define what are the responsibilities of each of the committees that we have, and then come up with a process that is going to accommodate those responsibilities.

I certainly do not fault you, and as I said, I was a strong supporter of what you did, and we may have to do it again next year with the process that we have right now. We may very well have to do that, something like that next year.

It gets down, as I said, to, you know, the climate that we find ourselves in. But what I think that these hearings are about, and what I am trying to put on the table, is let us just discuss what should the Budget Committee do. What should the Appropriations Committee do? What should the Commerce Committee do, or the Labor and Human Resources Committee, and these authorizing committees do? I think that there is a very vague nebulous feeling out there about what really they should in fact be doing. This is an attempt to structure those responsibilities in a definitive manner.

GROWING TENDENCY TO HAVE OMNIBUS BILLS

Chairman Domenici. Senator Ford, there are a number of writers now who are beginning to put the typewriter to a notion that I would like your observation on. If you think back to the last 2 years, because of reconciliation, there is a growing tendency to have what we have been calling around here omnibus bills, such as the Omnibus Reconciliation Act of 1981, and the tax bill that was a omnibus tax reform and tax equity bill.

Senator Ford. That is so nobody knows what it means.

Chairman Domenici. Probably. Frankly, while we have been the engineers that pushed the process that caused that to happen, I do not have any strong feelings against it. It appears to me that you reach points in history legislatively where there is hardly any way to get from A to Z without something that is different, but there is a growing concern and this is not good. It is not a good way to legislate. Whatever other good qualities it has, they are outweighed by the fact that it is a short time frame mandated by these other kinds of notions.

Now, I sense that your approach would envision that we would not have to do that so much. Is that correct?

Senator Ford. Mr. Chairman, I say that—let me go back and try to rephrase a statement that I made earlier.

I think that we have competent, extremely competent qualified colleagues who are scrutinizing the budget process. I see that we are not getting a full tilt from them based on the limited timeframe. You have used in your good judgment an innovative idea, which I do not fault, in order to accomplish the A to Z. I can see that if we stretch that out and where you will not fall into that pit that we can then give you the opportunity, and the authorizing committees and the appropriating committee, the opportunity to work their will. Oversight to me is very important. I was chastised one time for including in the Federal Trade Commission legislation that there be at least two oversight hearings of the Federal Trade Commission annually. One of my senior colleagues walked up beside me and he said you are creating problems for yourself.

Well, before the hearing was over and the markup, there was recommended five, as I recall—four anyhow, additional oversights of various functions that we agreed to in the markup. So I turned to my senior colleague and I said not only do I have two, I have got four or five more, I cannot remember the exact amount, so I would have had six hearings. What I wanted to do in that, and that was in an annual basis, was find out where they were going, how they were going to use their money and what we could expect from them in certain areas. Come in in 6 months and see how they spent the money, what territory they had covered and what they were going to do the last 6 months so we could begin to keep track and have a guideline, something to gage their performance against.

What I would like to do is see the ability of all of us to do that with the minds there are in the U.S. Senate. I think if they have that time we will see a more efficient operation, not because the desire is not there to do it, not because the desire is not there to balance the Federal budget. We just do not have the time to exercise the ability the Senate possesses.

So if we could expand that, I do not think the typewriters would come down on the omnibus reconciliation bill or tax bill or whatever appropriations bill that some of us would prefer not to have. As I said earlier, I know that this is not a panacea. I know it is not going to correct all things, balance the budget and reduce inflation, but I do think it would give us a better opportunity to work our will which basically is the will of our constituents.

Chairman **Domenici**. Senator Gorton?

Senator **Gorton**. Wendell, I would like your comment on a couple of tentative, and I think utopian, proposals which we have heard from some of the academic witnesses during the course of the last week or so.

SETTING OVERALL BUDGET AGGREGATES

Your proposal and Senator Quayle's proposal attempt to sort out in a rational fashion and to reduce the time devoted to the separate processes of setting overall budget aggregates, the budget resolution itself, authorizations, appropriations, and I suppose revenues too, obviously part of the process.

Some of these witnesses have stated that there may be at least one too many processes and that the problem of the overload we have stems from the fact that we are collectively trying to do too many things.

Now, I have noticed, what seems to be almost a total anachronism of the authorization process, which I suspect a number of years ago may have been the most important of all. Next week as we start to deal with appropriations bills or even with the continuing resolution, we are going to find a bunch of substantive legislation which normally is within the purview of the authorizing committee. Interestingly enough, I think one of the witnesses suggested in the long run we might wish to combine the authorizing and appropriations functions in the Appropriations Committee subject to budget limitations which set an enforceable limitation not in the aggregate but for each of the however many functions we come out with.

Another witness later on had an even more perhaps radical solution that would have combined the two back into the authorizing committee and, presumably at some point or another, abolishing the Appropriations Committee on the grounds that the budget process itself would set these overall ceilings, and that under those circumstances, the Commerce Committee, which presumably knows most about the programs within its purview, should also be responsible for the distribution of spending among those programs. Now, that function of the Commerce Committee, because there are so many different programs authorized, is almost entirely encompassed into whatever subcommittee on appropriations deals with that process.

Is it your view at all that we should, at some future time, look into this process? Are we trying to do too many separate functions which are not really that separate at all?

KEEP AUTHORIZATION AS IT IS

Senator **Ford**. Well, this is a tough one, of course, and then you get into your colleagues and seniority and chairmanship and a few other things which I have learned to sidestep, steer away from, go the other way when they come up,

But let me say this. In the authorizing committee, that is, Commerce Committee, we do have a great many pieces of legislation that we must authorize. We have the time, I think, to delve into a study as best we can, more so than the Appropriations Committee, and we authorize. Under the circumstances, we have the tendency to authorize higher than normal unless we have the cap of the budget resolutions. The first resolution is temporary; the second resolution is final. So the waiver, as the chairman said a few moments ago, unless—if it is just not timely, that is the only reason for rejection that you can give for a waiver. So I would say that, no, I would keep it like it is. I would keep us authorizing because I think you find on most of the appropriations subcommittees members of the several authorizing committees, say, for example, like energy and natural resources, where I think Senator McClure serves on that appropriations subcommittee. Thus, you have the input from the chairman or from a member of an authorizing committee. I think we need somebody to take an objective look at it who has not been buried in it day in and day out and pushed so hard. So I believe I would keep the Appropriations Committee. I would give the Budget Committee an opportunity to look at the basic income receipts and expenditure authorization so and that sort of thing to give overall balance, and I think it wise to retain three functions.

It may be at some time, Senator Gorton, that we will want to look at the work of the Budget Committee and of the appropriations and the authorizing committees, and maybe pull a piece here and a piece there and make some changes. But I am not sure that they would be large changes. Maybe insignificant but important.

I would like to see what happens when you stretch it out, if we can get to the 2-year process, to give the Appropriations Committee its year's time, give the authorization committee their year's time, give the Budget Committee the additional time it needs to do its work, and then see how that helps those three basic groups.

What I do not like is the push to put legislation on authorization. I think that we have gone far afield.

Senator GORTON. On appropriations?

FAR AFIELD ON APPROPRIATIONS

Senator FORD. On appropriations, I am sorry.

So I am very, very concerned about it. I think we have gone far afield. I remember hearing Senator Magnuson. Every time he got up with an appropriations bill, he had to deal with abortion, or the like. That is one thing he was always fussing about. Every time appropriations bill came up, the abortion amendment was on there. But it was on there based on restriction of funds and, therefore, I think probably was germane to the appropriations bill. But there are other legislative things.

We have gone through what, the FCC, the ICC, we have done lots of things to the budget resolution, to the appropriations bill, those sort of things. Well, we do that only because it is the only vehicle available, and time is short.

Now, if we had a little more time, I think you would see a lessening of trying to punch those on appropriation bills a nongermane amendment on appropriation legislation. I would hope it would work that way. If it would, then our functions would come into perspective and that perspective would be authorizing committees would do their job, and we can all get up and down votes on pieces of legislation. The Appropriations Committee would do its job, and we would have up and down votes on that. The Budget Committee could do its job, and we would have up and down votes on that. We would not have to say that we are for that bill but because you have A, B, or C on the bill I cannot be for it.

In the tax bill, for instance, I would have been foolish to vote for it with 8 cents additional on a pack of cigarettes. I voted against the whole tax program primarily for that one reason. But that is not a good analysis. But I am saying that is a reason that you would not vote for others if you do not have them separate.

I was here in caucus and I listened to the Senator from Maine, Mr. Muskie, and now our departed colleague from Arkansas, Senator McClellan, debate the Appropriations Committee and the Budget Committee. We heard the greatest debate, and I wish it had been open to the public, between those two. It is all right with me but, and then they started in. And it was a tremendous debate, and I was there when all that was going on. It was a wonderful exchange between two eloquent Senators. I can see going back and recalling those debates, some of the problems each were talking about. It was not that one was completely right and the other was completely wrong. They both were right and they both were wrong.

Now, somewhere we need to pull out those things and lay them down on the table and look at them carefully, and you and I make a decision on how we are going to run it because we have had some experience. I apologize for taking so long.

Senator GORTON. No. I was fascinated by your answer.

Chairman DOMENICI. Let me suggest this, Senator Ford. My recollection, and you correct me if I am wrong, but you have been part——

Senator FORD. I would never correct you, Mr. Chairman.

Chairman DOMENICI. You have been part of a number of us on legislating on appropriations. Let us take a couple of areas, such as OSHA. I believe you, after 3 or 4 years of waiting around for amendments to OSHA, as you recall, the major amendments on size of the number——

Senator FORD. Number of employees and so forth.

Chairman DOMENICI. Sand and travel were put on appropriations.

Senator FORD. Yes.

SOME TYPE OF PROCESS MISSING

Chairman DOMENICI. Now, why?

Let us take abortion. The significant part of the Helms amendment on abortion comes within the jurisdiction almost exclusively, of the Finance Committee because they are basically substantive law indicating what medicare will or will not cover. If you think back where the authorizing committees have not reported things to the floor for a full debate within their jurisdiction, there in those areas, and probably I am missing a couple, maybe the bill that regulates mining—is that MESA?

Senator FORD. MESA, yes.

Chairman DOMENICI. And a couple of them in your jurisdiction before you got on the Federal Trade Commission, you know, they did not report anything out. The committee put it on the appropriations bill. I do not think many of those issues remained undecided or did not get presented to the Senate floor because the authorizing committees did not have time. I think most of those issues did not come to the Senate floor because the makeup of the committee of jurisdiction was not of the same feeling as the U.S. Senate. If they ever got there, the Senate was going to vote differently than the majority of the authorizing committee on issues such as OSHA, MESA, appropriation on abortion and the like.

Now, I wonder if time is the answer there. I do not think it is. I think there is a missing process of some type of air when a majority of the institution wants a bill reformed and brought to the floor. There ought to be a mechanism for it outside of merely putting it on appropriations.

Senator **Ford**. Mr. Chairman, you know if you get sufficient votes, you can do anything. And under our parliamentary procedure you can overrule the Chair, you can close off debate, you can get 67 votes for a constitutional amendment, you can do all of these things if you have sufficient votes. I think that situation has always been there.

The only thing I am saying is I think it would eliminate much of the legislating on appropriations bills, and I think we would have an opportunity to vote directly on such legislation. Where the time restraint operates in a committee, as it relates to the authorizing committee, those who can get the most votes for the least controversial, get them out. We go to the most controversial bills early most of the time. You know, for weeks. Then we get into the crunch, and it is just whatever no one objects to that we get to pitch out. We do not have the time to go through some small piece of legislation. What may be very important to me might be very unimportant to New Mexico. But those are the sorts of things that we ought to be able to do. I do not want to take away my ability or yours, if you have sufficient votes under the rules, to do whatever you want to do. What I am trying to say is tht you ought not force us into a position where we do not have a chance to consider. Where it would not come out of that committee, then we have to do what we can do under the rules. If you want to change the rules and say that you cannot have legislation on an appropriations bill, period, all right, but you still have the ability to overrule the Chair, you have the ability——

Chairman **Domenici**. No, I am not making that point.

I think you do make the point that you can get the votes down there because of our very flexible germaneness rule. It does not have to be on appropriations.

TIME ALONE NOT PRINCIPAL PROBLEM

But this is my point. I do not believe that time alone is going to solve the most critical problem of the authorizing committees, and I do not think the most critical problem is that there are a few of their substantive jurisdictions being attached to appropriations. I really think that the principal problem is that the authorizing committees have not been brought into the budget and spending process in a meaningful way. It has never been perceived by most authorizing committees that they have very much to do with how money is spent or how much is spent. And you know that they never look at $5 billion a year for this program in the sense that they want $5 billion spent. In fact, we grew into the custom of not even putting a dollar figure there.

Senator **Ford**. We are talking about authorization on outlays.

Chairman **Domenici**. Yes. And you do not have the authorizers looking at that program saying for us to have an impact on how the money is spent. We have to take a number of our programs and reorient them to what is happening in the budgeting or the function of prioritizing even within their programs. It is going to be left up to the appropriators. And it is my hope that if we put your scheme or something like it together, that there will be some way to push authorizing committees to understand that they have a more meaningful role, not in what money is spent, because you leave the appropriators to buy from among programs the direction of what the authorizers think is most important. I do not know how you do that, but——

Senator **Ford**. Let me give you an example. It probably does not apply here but it just popped into my head.

I do not know if you had to deal with an Appalachian judge or not in his county. But they will get whatever they can out of their county, *x* Federal funds and whatnot, and they will go to the Capitol and they will do everything that they can to walk home with a pocketful, if possible. We have in Kentucky developed the AD—Administrative district system, several districts come together to commingle their funds to help. Say a computer does not make sense for one county in getting its bills out, but for five counties it would. So we use that to bring it all together, and probably the five counties would cooperate. In my State, we had a county judge sign off on his favorite project, No. 1 project, and each of those judges signed off on this project, and the AD district brought that down and they were funded. There was a fight between those five judges over one getting it all. We brought them together under the administrative district, and argued that what is best for the whole area in the contiguous counties is what would be best for everybody.

They sat down with their fiscal courts, they decided on the No. 1 project and signed off on it, all five of them. And we were able to fund those projects, able to show that working together this way, and it took us some time but we were able to stretch it out over a period of time, over a 2-year budget, and we could accommodate most on that basis. We appropriate on an annual basis up here. But Kentucky can commit for 2 years if the funds are forthcoming from the Federal Government. On the basis of what we could do on a 2-year budget, we can budget our state and local portion each of those 2 years. We are ready and they would know the funds are there. The minute the Federal funds are available for 2 years, you trigger the earlier expansion of an airport, to give you an example, so I just think that the ability to plan for that airport, for that runway, for the expansion to purchase the land, would give them a leg up.

LIMIT THE PROCESS

Senator **Quayle**. Mr. Chairman, I do not disagree with the goal that you are trying to pursue. I think it is a question of how we are going to get there and get this integration. But I would like to go back to the idea, for 30 seconds, the idea that Senator Ford brought up, that is limiting the process. I think it is an intriguing idea to give the appropriations more, but I hope you do not pursue that idea too vigorously because the budget process will be eliminated.

If the public focuses on that, then, at this time, they will focus on the budget process. I hope you would keep the three that we have right now, although sometime down the road, we might consider some changes. But if you start saying we have too many processes around here——

Chairman **Domenici**. I notice that Senator Gorton quite carefully said that these were suggestions from active commissions.

Senator QUAYLE. It was an idea.

Chairman DOMENICI. The committee will now stand in recess until 2 o'clock.

[Whereupon, at 12:05 p.m., the committee recessed, to reconvene at 2 p.m., the same day.]

AFTERNOON SESSION

The committee reconvened at 3 p.m., Hon. Pete V. Domenici (chairman) presiding.

Chairman DOMENICI. The hearing will reconvene.

Senator Biden, we have spent most of the morning hearing from other Senators on their suggestions, not only as to needed reform in this process, but in the broader process called the budget which includes the appropriation process and everything that goes into it and their notions on whether or not it is the right time to initiate some significant reform.

We are delighted to have this opportunity on behalf of the committee to welcome you and hear your testimony.

STATEMENT OF HON. JOSEPH R. BIDEN, JR., A U.S. SENATOR FROM THE STATE OF DELAWARE

Senator BIDEN. Thank you, Mr. Chairman.

Unaccustomed as I am to sitting on this side of the bench in this committee, let me tell you at the outset I know you, and others of my colleagues who are going to testify, are all getting behind in their schedule, and I promise not to trespass on your time too much here. And this is more for the record than anything else because obviously I will be on the other side of that bench considering the same things with you.

But let me begin by saying that it has been said that budgeting and the budget process cannot force the political process to produce a politically unacceptable product. I think many of us, at least I, hoped we could construct a process that would have in fact obviated some of the difficulties in what were politically difficult, as opposed to unacceptable process results.

GIVE POLITICAL PROCESS NUDGE IN RIGHT DIRECTION

But there are things that can be done at least to nudge the political process in the right direction. I have gone from a strong conviction that we could force it in the right direction to saying nudge it in the right direction.

The budget process, correctly designed, can sometimes make the politically unacceptable seem to be a political necessity.

It achieves this in two ways.

The budget process works by providing information as to the problems that exist, so that the need for action is clear. And perhaps even the direction of that action.

And then the budget process achieves results through what Senator Muskie liked to call action forcing mechanisms. Its deadlines, its votes, its requirements for many different actions at many different times all goad the Congress into action.

Frankly, I doubt that the budget process could be killed now, if anyone wanted to kill the process, short of total repeal anyway. Its requirements, its standards, its votes crop up too often to be forgotten or ignored. It is a burr, a thorn that cannot be overlooked by the rest of our colleagues. But we must be sure that we do not weaken that irritant quality in what we are about to do, in my opinion. Whatever form it takes.

I, along with many other Members at various times in our careers and here in the Senate, have authored or supported a number of proposals to, from my perspective, improve the budget process over the years. All of these would, I believe, have been constructive additions to the process. They would have increased the information available. They would have exerted pressure for action.

NOT THE TIME FOR SWEEPING CHANGES

However, I am not here today to push my own proposals. Actually I do not believe that this is a propitious time to make wholesale, sweeping changes in the Budget Act which was the initial statement, the question that you at least impliedly asked me. As always in time of stress, there are dangers of unwise action.

On the one hand, there are pressures to strengthen the budget process that are an overreaction to the problem. They may even threaten our basic political system. As we have it in the Congress, they are the pressures to use shortcuts, to accept autocratic techniques to achieve budget balance. An example of this is the movement to grant the President power to impound funds. Strange that when you and I got here, we were on the other side of that. At least I do not want to speak for the chairman, but most of us were concerned, and my recollection is you were also. That may save and not only might, I suspect at least in social area programs would save money in the short run. But, in the long run, it threatens a cornerstone of our democracy, that is the elected Congress responsiblity to the people for actions of Government.

On the other hand though, there are pressures that would weaken the process, also in order to achieve results in the battle to balance the budget. Often the intent is not to weaken the process, but the result is just that. An example of this, in my opinion, would be the elimination of the second budget resolution, which has already effectively been accomplished, over my objections, I might say. I believe it weakens the process because it eliminates a difficult vote—a vote on the deficit that results from congressional action. This is the vote that ratifies the budgetary impact of 8 months of congressional action.

It removes from the public view a succinct summary of what Congress has accomplished—or not accomplished. It is a very, very, very difficult vote. Without that vote on the second budget resolution, it will be easy for us to slide from the first budget resolution toward Federal bankruptcy—with no one the wiser, at least at the moment. The public will be the loser from such proposals. Although I must add, and I should say parenthetically, Mr. Chairman, were I where you are, I would in fact look on it with a good deal more credulity than I do from where I am. And—well, let it suffice to say that.

I do not want to comment on every proposal that is before us, Mr. Chairman, but I would like to look at a few to see what their impact on budget information and budget action might be.

CREDIT MARKETS

I am a cosponsor of Senator Percy's bill to set up a credit budget. And one of my own bills that I made reference to earlier would make all loan and loan guarantees subject to annual appropriations. Such proposals provide information about the impact of Government on the credit markets. And they would, I believe, be an "action forcing mechanism," as Senator Muskie would say, in dealing with credit. I believe such proposals should be adopted. But I would not hurry. We already have added these figures to the budget resolution. We are already making progress. And the formality of amending the Budget Act should come only after the concept is tested.

TAX EXPENDITURES

Another area in which we need more information and more action is tax expenditures. I, like many others, have a bill that seeks to accomplish that and so do at least three members of this committee. I believe that our failure to come to grips with tax expenditures in the budget process, although we came to grips with it on the floor through, I believe the skillful and tenacious leadership of Chairman Dole, is a large problem. And failures of the budget process, I think in part, can be are laid at the doorstep of tax expenditures. Of particular concern is the means of forcing conscious, informed choice between direct spending and tax expenditures. This is difficult to achieve. But here again I believe that a beginning could be made without a budget act amendment—just by putting figures in the budget resolution as we are doing on the credit budget. Once we have established a sound base of information we can talk about enforcement.

TWO-YEAR BUDGET CYCLE

I would hope that we would go slowly on proposals for a 2-year budget cycle also. The multiyear targets that we have adopted are highly useful because they measure the future impact of current actions. And because they make it possible to plan a budget strategy for dealing with a budget problem. Multiyear budgeting is a great information provider. But 2-year budgeting, as I envision it, does the opposite. If a budget is prepared only every other year, it seems most likely that there will be less budget information, certainly not more. But the most serious problem is that such proposals take the pressure of required action off the Congress. In fact, this is often held up as one of the merits of the proposal—that it will relieve Congress of the current time pressures in dealing with the budget. While I do not enjoy those pressures any more than anyone else, I do not believe the pressures should be relieved. That will only lead to inaction, or worse, backsliding. With budget action only in the first year of the Congress, think of all mischief we could get into the second year.

We should not adopt a proposal that would allow us to formulate a budget only once every 2 years—only half as many votes on deficits, spending and taxes, obviously would be recorded. But I do not believe my constituents would sit still for my thinking about the budget only half as much as I do now. And they would be right. There are many things besides budget that need to be done. But we can find time to do them.

SUNSET IS SOUND CONCEPT

I said earlier that I did not come today to push my own proposals. But I want to talk for a moment about sunset. This concept seems to have dropped out of vogue lately, but it is still, I believe, a sound concept. I first introduced a piece of legislation, which later became known—I did not call it sunset, I did not know the term at the time—in 1975. After that, Senator Muskie introduced his proposal in 1976 and I joined with him in efforts to get it through the Government Operations Committee and the Rules Committee. The latter was much more difficult, I might add. I still have a sunset bill on file, as have probably 20 others. I believe that had we adopted this in the mid seventies, outlays might not have risen 300 percent that they did between 1969 and 1982, and I do not say that in a partisan way. Look, we Democrats were there most of the time, and in terms of frequency of rise, we were there. But the fact of the matter is I think it would have had an impact if we had adopted sunset for tax expenditures. We could have prevented their growth of a staggering 500 percent between those same years, 1969 to 1982. Had the authorizing committees been willing to put their own houses in order with this technique, they might not have found themselves faced with reconciliation instructions last year.

Sunset combines those two features so essential to good budgeting. It provides a great information base. And it is ultimately an action forcing mechanism. I hope that when the committee decides upon a serious reexamination of the budget process, and I am not suggesting that this is not a serious reexamination, but when we get down to the sharp pencil deciding what we are going to do, we will include the program termination concept in its review.

Mr. Chairman, the reason I like that concept so much relates, and I will end with this, relates to the first statement I made. I believe that as much as I would like to say it is otherwise, that we have to put a little bit of steel in the backbone. You sit and figure out as long as you and I have been here—we came at the same time—how the place works. And one of the disappointing things is that it works like all other human institutions work, and human nature is not any different here than it is when I practiced law, or I suspect when you were mayor or anywhere else. And so I have been trying to think of a way, and I cannot come up with anything better, to implement these action forcing mechanisms. I keep going back to Senator Muskie's phrase. It seems to me it is a whole lot easier for me to say on a program, when I am lobbyed for it, you know, I would like to help you but there is nothing I can do. It goes out of existence. We have to take that fight back up through the

Hill all over again, and I am not on that committee, that is not my bailiwick. So if you get someone to get it on the floor and get it up, I can probably support you.

Now, that is a lot easier than having to respond to Joe, there is going to be a vote on whether or not you are going to cut my program. Are you for me or against me?

SUNSET WOULD BRING ISSUE TO A HEAD

But the fact—obviously I am a little facetious, Mr. Chairman, but I sincerely mean that I think that sunset is one of the few things, one of the few mechanisms that we could incorporate that really would in fact bring the issue to a head and allow people to make more courageous decisions without being assured they in going to appear in the second edition of "Profiles in Courage," and without jeopardizing the congressional process in the meantime.

Now, there is obviously much more to say, and I hope the chairman understands by my saying the serious review, I was not implying that this is not a serious review. As I understand it, we are in the first and important stages of looking at the processes. It obviously has weaknesses. Obviously has weaknesses. But if I can make an analogy to the action that we took on the floor of the Senate to pass a constitutional amendment, Mr. Chairman, I know that was a difficult vote for you to cast, I think I know you that well, and I know you did not see it as any panacea even though you supported it, if my memory serves me correctly.

My recollection was that you made a very spirited and, I thought, enlightening speech on behalf of it that did not relate to the detail of the amendment. It related to the psychological impact that the amendment would have on the entire process.

Now, if I read that correctly, and I realize I am oversimplifying in the interest of time, then we are on the same wavelength that no matter what mechanism we pass here, ultimately it is going to come down to a vote, ultimately someone who wants to make it difficult or cause trouble or failing to have the will to respond to the difficult question is going to determine what happens here. So I see the most reasonable way, the most compelling reason why we should proceed on the course that the chairman has set us on to reexamine the Budget Act is that I do not believe we are likely to have a constitutional amendment. But I firmly believe that we have got to make the process of spending money a whole lot more hurtful to all of us. We have got to change the presumption and we also have got to give some cover, if you will. Because we all have regional concerns, regional problems. It is hard for a Senator from Texas to vote against defense even though he might not think a particular program is a good idea. It is hard for a Senator from Delaware to vote against environmental projects relating to keeping our marshlands pure and pristine.

So I compliment the chairman on beginning the hearings. I hope that we can make some progress and I pledge to the chairman that I will not be obstreperous in the effort to do just that. We need to do something.

Chairman DOMENICI. Senator Biden, I wanted to tell you that this morning the first witness was chairman of Governmental Affairs, Senator Roth, and since 1977, pursuant to Senate order, Governmental Affairs and our committee have joint jurisdiction over any amendments to the Budget Act, and I think you ought to know that, from his standpoint, at least as of this morning, at 10 o'clock and in the record, he said that he intends to move next year with major amendments.

My purpose is twofold at this set of hearings: To have people like you and many others talk about the issue, whether it is time and whether it is needed and then give your ideas. But I think if the chairman of Governmental Affairs is serious, we will be in this vote next year.

Senator **BIDEN**. I think you are right.

NOT IN FAVOR OF FORCING AMENDMENTS

Chairman **DOMENICI**. And we have a joint jurisdiction phenomenon around here, as that word does not quite do the relationship justice because whichever committee is the last to do the reporting has 30 days from the time that the other committee reports. So, frankly, I have not made up my mind. I lean toward not forcing amendments because I have seen the flexibility of this law. If it was as rigid as we might have envisioned 5 years ago, where you could not use reconciliation other than against appropriations—you know, that was one time it was thought you do it at the end of the year when they have broken the budget. Now, we found they did not break the budget. It is a lot of other things that break the budget. First and second resolutions which are binding, which are not, all of those kinds of things, we have been able to improvise. But I think we will have to be genuinely concerned and do some talking both on your side of the aisle and on our side as to whether it is appropriate for any of the committees to proceed with any dimension of dispatch.

You have heard in the House—they had similar hearings—some suggestions which are quite contrary in philosophy to your testimony, and that of all the other Senators who do not want to weaken it. Say it needs fixing but certainly not on the side of saying you only have 1-year budgets, and I think you obviously agreed a multiyear budget has great informative value.

Senator **BIDEN**. Absolutely.

Chairman **DOMENICI**. You have got to have it. You cannot control anything. Some of the witnesses in the other body want 1-year reconciliation, so I think there is a great deal of danger if we do not answer the first question right, that is should we do it at all?

Senator **BIDEN**. I would agree. I would agree with that. I would hope that my colleague from Delaware, who is and has made an entire career to his credit on dealing with the issues of how to "get Government under control" and now is in charge of a committee that has a great deal of swat in that issue, I know he is sincere in his desire and effort to move forward. But I suspect that if he is reelected that he will be amenable to working with the consensus of his committee and our committee. I have never known him to go off half-cocked. I have never known him just to set his feet in concrete and say, well, I am going anyway. He is a good, easy man to work with, and I am not suggesting that he does not feel intensely about this. I do not mean to in any way to imply that he does not. He does.

Chairman DOMENICI. Well, we have some of our Senators here who have appeared not as witnesses but in questioning that obviously feel that we ought to move with some amendment.

HEAD OFF MORE ONEROUS ACTIONS

Senator BIDEN. The only reason to move for amendments, I think, Mr. Chairman, at this point is to head off more onerous actions. And I suspect that may be—I mean the one thing we found out that there are not any easy answers. Straitjackets do not work in a dynamic economy like ours. I think we are working toward, even though the public is very impatient and our colleagues are somewhat at times confused, I think we are working toward a more workable approach that in fact does have impact on the process. And I do not say we should not have any amendments. I just say I am going to be, when I assume my seat on the other side of this bench, standing with the chairman in saying what we do, let us make darn sure we know what we are doing and do it in a well thought out way. This is not the time to leap. The American public is not very much inclined to hear—I do not want to happen, and I will conclude this, Mr. Chairman, I do not want to happen with a budget process, Mr. Chairman, what has happened with crime in America. And by that I mean I am the ranking member of the Judiciary Committee. We have a very solid piece of anticrime legislation that has a bipartisan approach. Strom Thurmond and I have worked on it for 2 years. Now, that comes as amazement. That is almost like saying Domenici and Riegle reach accord on this committee. But we did. And you know what the difficult part of it is? Not convincing any of you fellows that it means something. I doubt whether any of you, when you get a chance to look at it, will say that it is not good. I think it will pass through here like a hot knife through butter once we get to it. But the public has given up on the Government's ability to deal with the crime issue.

If you notice, in the polls it never registers. It is way down, 5, 6, 7, 9, 12, yet there are more guard dogs, more fences, more private police forces, more fear, in society. And what they really said, and the pollsters missed, is we do not think you can handle it. I do not want them to say that about the budget—and they have not finally reached that decision about us in the budget process.

Chairman DOMENICI. No, they have not.

Senator BIDEN. And I do not want us to come out with any great enunciations that now we have got it, we have settled it once and for all, and then find out it does not work, and then have the same thing happen. The Government can ill afford any further lack of confidence. I would rather us muddle through toward a desirable end than reach for Utopia and fall flat on our face. That is the kind of thing that worries me.

But I have trespassed on the committee's time and I have got the distinguished Senator from Arkansas waiting, which I always do at my own jeopardy. So I will cease.

Thank you, Mr. Chairman.

Chairman **Domenici**. Senator Biden, we have about four questions on tax expenditures that we would like your views on if you will answer them at your leisure.

Senator **Biden**. We will do it, answer them all.[1]

Thank you, Mr. Chairman.

Chairman **Domenici**. Thank you, Senator Biden.

Senator Bumpers?

STATEMENT OF HON. DALE BUMPERS, A U.S. SENATOR FROM THE STATE OF ARKANSAS

Senator **Bumpers**. I ask that my remarks be inserted in the record and I would like to speak informally.

Chairman **Domenici**. They will be made a part of the record.

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[1] See p. 312.

TESTIMONY
OF
SENATOR DALE BUMPERS
BEFORE
SENATE BUDGET COMMITTEE

SEPTEMBER 23, 1982

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM VERY PLEASED TO APPEAR BEFORE YOU TODAY TO DISCUSS THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT, AND TO OFFER MY SUGGESTIONS ABOUT HOW IT MIGHT BE IMPROVED. I COMMEND YOU, MR. CHAIRMAN, AND THIS COMMITTEE FOR HOLDING THESE HEARINGS BECAUSE THE CONGRESSIONAL BUDGET ACT, LIKE MOST OTHER LAWS, COULD BENEFIT FROM OVERSIGHT OCCASIONALLY TO DETERMINE HOW IT IS WORKING. BUDGET REFORM IS SOMETHING I'VE BEEN VERY INTERESTED IN SINCE COMING TO THE SENATE, AND THIS IS THE FIRST OPPORTUNITY I'VE HAD TO TESTIFY ON THE SUBJECT.

THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974 WAS DESPERATELY NEEDED. IT IS BASICALLY GOOD LEGISLATION, ALTHOUGH WE HAVEN'T ADHERED TO THE TIMETABLES ESTABLISHED BY THE ACT. THE PROBLEMS THAT HAVE ARISEN AS WE CONSIDER BUDGET RESOLUTIONS, AUTHORIZING LEGISLATION, AND APPROPRIATION BILLS HAVE COME ABOUT BECAUSE OF OUR FAILURE TO ACT, BUT I ALSO BELIEVE THE TIMETABLES ARE TOO RESTRICTIVE. CERTAINLY YOU COULD LOOK AT THE DEFICITS WE'VE HAD SINCE THE PASSAGE OF THE BUDGET ACT AND WONDER "IF THIS IS WHAT THE BUDGET ACT HAS LEFT US WITH, THEN LET'S GO BACK TO WHAT WE HAD PREVIOUSLY" -- BUT I BELIEVE THAT THE DEFICITS WOULD HAVE BEEN MUCH WORSE IN THE ABSENCE OF THE BUDGET ACT. I CONSIDER THE RECONCILIATION PROCESS A MOST UNSATISFACTORY ONE. BUT THE BUDGET ACT HAS AT LEAST BROUGHT ABOUT AN INCREASED AWARENESS ON THE PART OF EACH MEMBER OF CONGRESS ABOUT HOW A PARTICULAR BILL AFFECTS THE OVERALL FEDERAL BUDGET. THIS AWARENESS IS ESSENTIAL TO

RETAINING SOME CONTROL OVER FEDERAL SPENDING.

HAVING SAID THAT, HOWEVER, I DO THINK THE TIME HAS COME TO CONSIDER ALTERNATIVES TO THE EXISTING TIMETABLE, OR SOME MODIFICATIONS TO THE PROVISIONS IN THE BUDGET ACT. THE TIMETABLE HAS PROVEN TO BE ONE THAT WE SIMPLY CANNOT MEET. AND MORE IMPORTANTLY, IT LEAVES CONGRESS WITH VIRTUALLY NO TIME TO PERFORM ONE OF OUR MOST IMPORTANT DUTIES -- OVERSIGHT OF FEDERAL PROGRAMS. THE MAY 15TH AND SEPTEMBER 15TH DEADLINES FOR PASSAGE OF THE BUDGET RESOLUTIONS ARE GOOD IN THEORY, BUT THEY HAVE BECOME UNWORKABLE IN THE CONTEXT OF OUR EFFORTS TO PASS AUTHORIZING LEGISLATION, CONSIDER THIRTEEN APPROPRIATION BILLS AND CONSIDER OTHER ESSENTIAL LEGISLATIVE MATTERS.

A BRIEF LOOK AT HOW WE HAVE PERFORMED SINCE THE PASSAGE OF THE BUDGET ACT PROVES THIS POINT. IN ONLY ONE YEAR (FY 1977) HAVE WE PASSED ALL 13 APPROPRIATION BILLS PRIOR TO THE START OF THE FISCAL YEAR. IN ALL OTHER YEARS, WE'VE HAD TO USE

"CONTINUING RESOLUTIONS" WHICH HAVE BECOME THE WHOLE BALL GAME. AS OF TODAY, WE HAVEN'T PASSED A SINGLE APPROPRIATION BILL IN THE SENATE, AND IT LOOKS LIKE VIRTUALLY ALL OF THE GOVERNMENT WILL BE FUNDED ON A CONTINUING RESOLUTION. FURTHER, AS BUDGET DECISIONS HAVE POLARIZED THE CONGRESS, WE'VE HAD MORE AND MORE DIFFICULTY PASSING BUDGET RESOLUTIONS. WE HAVEN'T MET THE SECOND BUDGET RESOLUTION DEADLINE IN SEVERAL YEARS. (SEE APPENDIX I FOR A BRIEF LIST OF THE LAST THREE YEARS OF APPROPRIATION BILLS).

NOT ONLY HAS THIS CAUSED PROBLEMS AS FAR AS APPROPRIATION BILLS ARE CONCERNED, BUT AUTHORIZING LEGISLATION ALSO BECOMES BOTTLED-UP ON THE SENATE CALENDAR. THIS CREATES A LEGISLATIVE LOGJAM. TODAY, ON THE SENATE CALENDAR THERE IS CRITICAL LEGISLATION DEALING WITH THE FINANCIAL INDUSTRY, AND THE CRIME PROBLEM, AND WE NEED TO DEAL WITH THE BANKRUPTCY COURTS BEFORE OCTOBER 4. HOWEVER, WITH THE NEED TO PASS THE CONTINUING

RESOLUTION AND THE DEBT LIMIT EXTENSION THOSE MEASURES WILL NOT RECEIVE THE CONSIDERATION THEY DESERVE.

AS I MENTIONED EARLIER, ANOTHER WAY THE ANNUAL BUDGET CYCLE CAUSES PROBLEMS IS THAT WE DON'T HAVE TIME TO PERFORM ONE OF OUR MOST IMPORTANT DUTIES WE HAVE -- LEGISLATIVE OVERSIGHT. WE HEAR EVERYDAY ABOUT WASTE AND ABUSE IN GOVERNMENT PROGRAMS, BUT WE DO VERY LITTLE ABOUT IT UNTIL THE TV LIGHTS COME ON AND A GROUP OF REPORTERS ARE AROUND TO TAKE NOTES. IN MY OPINION, IF WE HAD MORE TIME, WE COULD DIG INTO THESE PROGRAMS, FIND THE WASTE AND THEN DETERMINE WHICH PROGRAMS REALLY NEED TO BE ELIMINATED OR CHANGED. THIS WOULD GET TO THE ROOT OF THE PROBLEM.

SEVERAL POSSIBLE SOLUTIONS HAVE BEEN PROPOSED. SOME HAVE ADVOCATED GOING TO ONE BUDGET RESOLUTION AND MAKING IT BINDING. OTHERS HAVE PROPOSED DOING AWAY WITH THE BUDGET ACT ENTIRELY. HOWEVER, I THINK A BETTER APPROACH WOULD BE TO GO TO A TWO-YEAR

BUDGET CYCLE. I KNOW THE SENATOR FROM INDIANA, MR. QUAYLE, A MEMBER OF THIS COMMITTEE, HAS such A BILL, AND MR. FORD HAS ALSO INTRODUCED SOME LEGISLATION ON THIS SUBJECT. I WORKED UNDER A TWO-YEAR BUDGET CYCLE WHILE SERVING AS GOVERNOR OF ARKANSAS. ALTHOUGH THE FEDERAL BUDGET IS MUCH LARGER THAN ANY STATE'S, AND THERE ARE PROGRAMS LIKE SOCIAL SECURITY THAT DON'T EXIST ON THE STATE LEVEL, I THINK A BIENNIAL FISCAL CYCLE WOULD BE WORKABLE AT THE NATIONAL LEVEL. I'VE INTRODUCED RESOLUTIONS IN EACH CONGRESS CALLING FOR A STUDY TO DETERMINE THE FEASIBILITY OF A BIENNIAL CYCLE, AND I HOPE THIS COMMITTEE WILL GIVE THE CONCEPT SERIOUS CONSIDERATION.

A TWO-YEAR BUDGET CYCLE COULD BE EASILY ADAPTED TO OUR CURRENT SYSTEM OF BUDGET RESOLUTIONS, APPROPRIATION BILLS, AND AUTHORIZING LEGISLATION. IT WOULD ALSO ALLOW MORE TIME TO OVERSEE HOW MONEY IS SPENT AND HOW FEDERAL PROGRAMS ARE WORKING. MORE IMPORTANTLY, WE WOULD NOT BE GIVING UP ANY CONTROL OVER

THE BUDGET. IF WE WENT TO A TWO-YEAR CYCLE, INSTEAD OF PASSING TWO BUDGET RESOLUTIONS EACH YEAR WE COULD PASS ONE IN EACH YEAR PRECEDING THE START OF THE TWO-YEAR FISCAL CYCLE. IN OTHER WORDS, IF THE TWO-YEAR PERIOD WERE SET TO BEGIN OCTOBER 1, 1982, WE WOULD START ON THE FIRST BUDGET RESOLUTION FOR THE BIENNIUM EARLY IN 1981. THEN, WE WOULD PASS THE SECOND BUDGET RESOLUTION THAT YEAR, PRIOR TO THE START OF THE 1982 FISCAL YEAR. IN THE FIRST YEAR BEFORE THE START OF THE BIENNIUM WE COULD ALSO CONDUCT OVERSIGHT AND ENACT AUTHORIZING LEGISLATION. THE SECOND YEAR (THE YEAR IN WHICH THE NEW TWO-YEAR FISCAL CYCLE BEGINS) COULD BE DEVOTED TO APPROPRIATION MEASURES.

I THINK TWO IMPORTANT POINTS NEED TO BE MADE ABOUT A TWO-YEAR FISCAL CYCLE. FIRST, THE BUDGET PROCESS WOULD NOT BE DILUTED AND THE BUDGET RESOLUTIONS WOULD STILL BE SIGNIFICANT CONTROL MEASURES. THIS COMMITTEE WOULD STILL REPORT OUT TWO BUDGET RESOLUTIONS, BUT THEY WOULD COVER A TWO-YEAR PERIOD

INSTEAD OF A ONE-YEAR PERIOD. WE COULD RETAIN THE RECONCILIATION PROCEDURE AND OTHER FEATURES OF THE BUDGET ACT WHICH HAVE BEEN USED TO CONTROL SPENDING.

THE SECOND POINT IS THAT WE WOULDN'T BE GIVING UP CONTROL OVER THE BUDGET IN THE SHORT-RUN. WE PASS SUPPLEMENTALS FREQUENTLY TO DEAL WITH EMERGENCY SITUATIONS. FURTHER, THE EXISTING RESCISSION AND DEFERRAL PROCESS COULD BE MAINTAINED, AND IF THE PRESIDENT THOUGHT SPENDING WAS GETTING OUT OF CONTROL HE COULD RECOMMEND WHERE WE COULD CUT IT, JUST AS HE DOES NOW. SO, GOING TO A TWO-YEAR CYCLE WOULD NOT LOCK US INTO STONE ONCE THE BILLS WERE PASSED AND WE ENTERED THE TWO-YEAR FISCAL CYCLE. ADJUSTMENTS WOULD BE EASY TO MAKE.

I WOULD ALSO LIKE TO DISCUSS BRIEFLY ANOTHER BUDGET CONCEPT WHICH SHOULD BE EXPLORED. IN ARKANSAS WE HAVE A REVENUE STABILIZATION LAW. SINCE THE ARKANSAS LEGISLATURE IS REQUIRED TO BALANCE THE BUDGET EACH YEAR, THIS LAW WAS ENACTED TO ENSURE

THAT ACTUAL SPENDING DOES NOT EXCEED ACTUAL REVENUES. THE LAW OPERATES AS FOLLOWS:

(1) PRIOR TO THE START OF EACH FISCAL YEAR THE PREVIOUS YEAR'S REVENUES ARE TAKEN, AND THIS AMOUNT OF MONEY (A WORST-CASE SCENARIO IF YOU WILL) IS THEN DETERMINED TO BE ALLOCATION "A".

(2) NEXT, AN ASSUMPTION IS MADE AS TO WHAT REVENUES WILL BE IF THE INCREASE OVER THE LAST FEW YEARS IS FOLLOWED. THIS REVENUE FIGURE IS PUT INTO ALLOCATION "B", A MORE OPTIMISTIC ASSUMPTION.

(3) THEN, THE ROSIEST FORECAST POSSIBLE IS MADE. THIS IS THE "C" ALLOCATION.

(4) THE STATE LEGISLATURE THEN DETERMINES WHAT SHOULD GO INTO EACH ALLOCATION WITH THE IDEA BEING THAT ALL OF "A" WILL BE FUNDED, AND IN

MOST YEARS ALL OF "B" WILL BE FUNDED. IF ANY MONEY IS LEFT OVER IT CAN GO TO THE "C" LEVEL. FOR EXAMPLE, SUPPOSE THE DEPARTMENT OF EDUCATION IN ARKANSAS SUBMITTED A BUDGET FOR $500 MILLION FOR A GIVEN FISCAL YEAR. THE LEGISLATURE MIGHT DETERMINE THAT $400 MILLION WILL GO INTO "A", $75 MILLION INTO "B" AND $25 MILLION INTO "C". WHEN THE FISCAL YEAR BEGINS THE DEPARTMENT KNOWS THAT IT WILL RECEIVE "A", AND PROBABLY MOST OF "B".

(5) DURING THE COURSE OF THE FISCAL YEAR, HOWEVER, IF REVENUES ARE LOWER THAN ORIGINALLY PROJECTED, THEN THE DEPARTMENT OF FINANCE AND ADMINISTRATION (THE ARKANSAS EQUIVALENT OF OMB) DIRECTS THE AGENCIES TO CUT BACK ACROSS-THE-BOARD WITHIN THE "B" OR "C" ALLOCATION. THE DECISIONS ARE THEN MADE BY THE DEPARTMENT HEADS OR BOARDS AND COMMISSIONS.

ALTHOUGH THERE WOULD BE PROBLEMS ON THE FEDERAL LEVEL -- THE MOST NOTABLE ONE BEING THE FACT THAT WE HAVE ENTITLEMENT PROGRAMS THAT MOST STATES DON'T HAVE -- I STILL THINK THIS CONCEPT SHOULD BE CONSIDERED. FOR MOST BRANCHES OF GOVERNMENT, IT WOULD WORK WELL, PARTICULARLY IN AREAS LIKE DEFENSE SPENDING. ALLOCATION "C" BECOMES BASICALLY A WISH LIST SO WE WOULD KNOW, WHEN THE PENTAGON BUDGET WAS SUBMITTED WHICH PROGRAMS IT WAS SERIOUS ABOUT FUNDING, AND WE COULD ACT ACCORDINGLY.

MR. CHAIRMAN, I THINK THE EXISTING BUDGET ACT HAS WORKED REASONABLY WELL, BUT IT CAN BE IMPROVED BY GOING TO A BIENNIAL FISCAL CYCLE AND LOOKING AT OTHER MODIFICATIONS THAT HAVE BEEN SUGGESTED. SUCH A PROCEDURE WILL ELIMINATE MANY OF THE DIFFICULTIES WE HAVE IN TRYING TO CARRY OUT OUR OVERSIGHT RESPONSIBILITIES. FURTHER, DURING THIS PERIOD OF INCREASING DEMANDS ON THE FEDERAL BUDGET AND THE NEED FOR EFFECTIVE OVERSIGHT TO REDUCE PROGRAMS WHICH HAVE GOTTEN OUT OF CONTROL, I BELIEVE BIENNIAL BUDGETING IS A METHOD WHICH CAN BE USED TO STRENGTHEN THE BUDGET PROCESS. ONE OF THE REASONS GOVERNMENT IS INEFFICIENT IS THAT WE ARE SPENDING ABOUT $750 BILLION EACH YEAR, BUT NOT ADEQUATELY OVERSEEING HOW IT IS SPENT. BIENNIAL BUDGETING MAY NOT BE A CURE-ALL, BUT I FIRMLY BELIEVE IT IS A STEP IN THE DIRECTION OF SOUND BUDGETING, ADEQUATE FEDERAL OVERSIGHT AND SMOOTH LEGISLATIVE SCHEDULING.

Senator **Bumpers**. I want to thank this committee for finally holding hearings on what I think is a very important subject.

The bill that I have introduced [1] which deals with 2-year budgeting, simply asks for a study. We study things to death around here, but the reason I only requested a study is because even though I feel rather strongly that 2-year budgeting cycles would be helpful to us, I am not at all sure that it will work with the Congress as it did for my State, for example when I was Governor. So far as I know, almost every State uses 2-year budgeting cycles. We do in Arkansas and it has worked extremely well. But, I can also see why it might not be the panacea here that some of us think it would be and, therefore, I simply ask for a detailed, really thoughtful study. Then we can make the decision on whether we want to go to a biennial fiscal cycle.

MONITOR EXPENDITURES BETTER

Mr. Chairman, my thoughts on this can be made very brief. I think that about 50 percent of the role of Congress ought to be not only to raise revenues and to spend it, but to determine how well it is being spent. Right now, Mr. Chairman, members of this committee know that we do a very, very poor job of legislative oversight. We know where the money is coming from because we see and we hear from our constituents about taxes. We have to deal with the level or rate of taxation all the time. Those of us, especially on the Appropriations Committee, know where the money is going. However, very few people know whether the tax dollars are being spent exactly the way we want them spent. Further, not many of us know whether the program is effective, marginally effective or fully effective. The only way you can get a crowd around here for legislative oversight hearings is if all the networks show up. But this usually occurs only after the press has made a big issue of it and some kind of a scandal has broken or something of that nature.

For example, you can see today, by the size of the crowd in this committee and the interest in this subject, that it does not have the kind of political appeal of a lot of things we do around here. Yet, I think this is a very important matter for the Congress to be considering. We know that the budgeting process and the appropriations process is not doing well in the Congress.

Each year, Mr. Chairman, there are 13 major appropriation bills we are supposed to pass before October 1. Since the adoption of the Budget Act we have passed all of them on time once, in fiscal year 1977. We have gotten further and further behind every year. We now operate the Congress on a continuing resolution, for much of the year. Under a biennial cycle we could spend 1 year in the appropriation process and the next year determining whether or not the Pentagon is spending its money wisely or they are wasting it; determining whether the food stamp program is working or not working and why. I think we could do a much better job and I think we might even gain a little bit of confidence back in the

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[1] See p. 807.

American people who think all we do is spend, and correctly perceive that we are not really monitoring the expenditures.

PARTICIPATION DURING AUTHORIZING YEAR QUESTIONABLE

Chairman DOMENICI. Do you think the Senators, the Members of Congress would really participate for the better part of the year in what you and I would call oversight, reauthorization?

Senator BUMPERS. If they did not have anything else to do, they might.

I would suggest that they not have anything else to do the second year. Obviously we pass supplementals——

Chairman DOMENICI. I was just thinking, Senator Bumpers, that they may very well see it exactly that way; that they do not have anything to do. You know, there is a tremendous tendency around these kinds of bodies, ours and the other one, when you do not have anything to do——

Senator BUMPERS. You do not do anything.

Chairman DOMENICI. You do not do anything. It is usually time forcing mechanisms that get anything done and that generally comes when there is something imperative like the little appropriations you get done is because of the years here, I do not know what would force people around here to do anything in that authorizing year.

Senator BUMPERS. That is a very good question, Mr. Chairman, and I have thought about that. And as I said in my opening statement, that is the reason that I have asked for a study.

But, in my opinion, I am in a position of a fellow who used to work for me. I am ready to do something even if it is wrong, because I am convinced that the system has become bogged down to the point where we are not functioning properly. One of the problems in the country is the system itself.

Chairman DOMENICI. Why do you not get appropriation bills passed in the U.S. Senate in your opinion?

EACH APPROPRIATION BILL SHOULD BE LOOKED AT VERY CAREFULLY

Senator BUMPERS. I honestly do not know the answer to that, however, the President was dead right when he said he is tired of the country being run on continuing resolutions and stopgap funding. We ought to have to look at these programs. We ought to have to look at every one of the appropriation bills very carefully.

It is an educational process for me when we go through the appropriation bills. I learn things, I find out where the money is going. But when that continuing resolution comes sailing through there, it is like a freight train, you get run over like Mack truck. The bill passes, the Government is funded for another year, and you do not have the foggiest notion what is in it.

I heard an ad coming in this morning—I do not even know who the candidate was—but it was saying do you know Congressman so and so voted for a $25,000 tax-exempt all paid trip for somebody to some place? And did you know he also voted for $75,000 to study the sex life of the tse-tse fly?

Well, you know what happens? We appropriate billions of dollars to HHS and they send out grants to all the colleges and universities in the country to do certain kinds of research. Incidentally, I think that is a terrible piece of advertising, I think it is deceptive, terribly deceptive. But be that as it may, that just points up what we have done—we are appropriating billions of dollars to keep Government afloat, keep it functioning at the same level it was last year. However, we are not really doing the detailed work of knowing what we are spending it for. And, what is even worse, once we appropriate it, we never go back to look to see whether it was spent properly or not.

REVENUE STABILIZATION BILL

Mr. Chairman, if I could make just one other observation. There is another thing that we did in Arkansas, and while I am not at all sure it would work here, I think it deserves some consideration. It is what we call the revenue stabilization bill. In our State, we start off each year this way. Let us assume that our revenues were $1 billion last year. At the start of the budget cycle we assume that they will be something in excess of $1 billion this year, but we start with $1 billion and we appropriate that to all the functions of government and put that amount in allotment "A". Then we have a very good estimate as to what revenues are going to be for the year. Let us assume we anticipate 5 percent increase or $50 million. We allocate this increment to allotment "B". Finally, we put the rosiest glow on it and we assume if revenues are up 10 percent or $100 million, the next $50 million we put in allotment "C". The head of the Department of Finance and Administration, who is comparable to the Director of OMB, will immediately start releasing money when the fiscal year starts under allotment "A"; within 3 or 4 months if it looks as though the projection for allotment "B" is going to be easily met, then he will start releasing funds under allotment "B". Finally, if the year turns out to be as great as we think, then the last 2 or 3 months of the year he can release allotment "C". That is particularly good in construction projects.

By using this law, if we do not have the money to fund the project or activity, we put it in allotment "B" or allotment "C" because that is not a high priority item.

Since most States, like Arkansas, are required to have a balanced budget, this revenue stabilization law is an excellent way to insure that outlays don't exceed revenues. The big question becomes, what do you do with entitlement programs like social security, food stamps, SSI, all of which we have to pay? Well, what you have to do is you put all of the projected outlays for these programs in allotment "A" on the front end. But, then there are a whole host of other governmental functions that are not entitlements, that could be delayed, that you put in allotment "B". And if the money is not there, they simply do not get it or you put it in allotment "C". If the money is not available, then the activity is not conducted. Next year they come back, and if it is high on the agency's priority list, let them convince you that it ought to be in allotment "A". This has worked for 40 years in the State of Arkansas extremely well, and while I have not introduced legislation here for the U.S. Government to emulate that because I recognize that we are not the——

BILL WOULD BE PROBLEM FOR APPROPRIATORS

Chairman **Domenici**. I will tell you, Senator, the problem right off the bat is that if we did that, the appropriators would be out of business.

Senator **Bumpers**. I know that would be a potential problem.

Chairman **Domenici**. Second, because the entitlements are growing so fast, if you put them in "A"——

Senator **Bumpers**. The first thing you know, all you would have in "A" would be entitlements.

Chairman **Domenici**. You would have entitlements.

I do not have any objection to thinking of these kinds of ideas. Then, if you leave anything discretionary, there is your "C" fund if the revenue is there. It is a backward way of getting to the errors in revenue assumptions and economic assumptions also which is inherent in your "A", "B", and "C" categories.

Senator **Bumpers**. See, what we are doing now, Mr. Chairman——

Senator **Gorton**. It is also a backward way to get into the prioritization, because you are making one thing an "A" and another thing a "B" that the authorizing committees ought to be doing right now.

Senator **Bumpers**. Absolutely.

Chairman **Domenici**. But you see what they would say around this place is, first of all, we would have to set up a whole new mechanism to decide who distributes "A" and "C" because this crest between the Congress and the President is such that most people would take to the floor and say when that second 5 percent is in "B", new revenue comes about, and we do not want the President or his people deciding how to spend it.

Senator **Bumpers**. Let me restate the proposition. It is Congress who decides what goes into allotment "B" and what goes into allotment "C". Then, the onus falls on the Director of OMB because he says, for example, for the first 4 months, revenue projections are 5 percent over allotment "B". Therefore, I am going to start releasing funds for allotment "B". Now, you are still holding something back in reserve in case revenues begin to fall. But, Congress has already established the priorities. All he does is determine whether or not the money is going to be available.

Chairman **Domenici**. I understand. But the problem is that when you look at the budget of the United States by function, aside from the entitlement issue that we have just described, you would probably not be able in your B and C to establish as succinctly as you do at the State level that within these lists there are 3,000 items and they are in this priority. We cannot do that here because everyone of those gets something, as you well know in appropriations.

Senator **Bumpers**. Yes.

Chairman **Domenici**. And, therefore, when you get the next increment, it is a question of spreading it out among those who did not get enough, and it would almost have to be an administrative function to get it done. You could not match it up unless you had the overages all prioritized.

Senator **Bumpers**. It would not be unthinkable, of course, that you had priorities within a particular allotment either.

Chairman DOMENICI. It would not be. I am saying at the national level it would be much more difficult.

Senator BUMPERS. But that would still be a congressional decision. We would have to vote and approve projects or activities within the allotments. Mr. Chairman, I appreciate the opportunity to appear at least these few minutes to discuss this. I think it is a very interesting concept, and I think it is important that this committee hold these hearings. I am hoping that this committee, if not this year, early next year, will recommend that at least we do a fairly thoughtful study on this process. Right now each member of this committee knows that we appropriate the money, and if the revenues do not come in, the deficit grows and grows. We are not doing anything to address that problem.

STUDIES BEING DONE

Chairman DOMENICI. I would say that we have a study going here and we will share it with all you people in the Appropriations Committee. We have two. One will be here very soon. The GAO has agreed to tell us, based on legislative history, why we have had continuing resolutions, which will to have a list that shows the reasons for them as alleged by Congress or as evidenced by floor action.

Second, our staff is going to do a CBO comprehensive evaluation of what has broken the budget marks, what parts of the budget have gone haywire so that instead of 50, it is 100, and they will break it into programmatic errors, entitlement errors, tax revenues that were underestimated and so forth. We think we are going to find that for the last 3 or 4 years it has not been appropriations. We think that we are going to find that it is economic assumptions and entitlements that were underestimated.

Senator BUMPERS. I agree with you.

Chairman DOMENICI. Because of the enormous gaps, but we will have that available also.

Senator BUMPERS. Thank you, Mr. Chairman.

Chairman DOMENICI. We stand in recess.

[Whereupon, at 3:40 p.m., the committee adjourned, subject to the call of the Chair.]

APPENDIX

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-202135

The Honorable Pete V. Domenici
Chairman, Committee on the Budget
United States Senate

Dear Mr. Chairman:

Subject: Updated Information Regarding Funding Gaps and Continuing Resolutions (GAO/PAD-83-13)

During your September 21 hearings on budget reform, you requested that we provide you with the instances and major reasons for continuing resolutions for the past 10 years. As you are aware, on September 22 we provided your Committee with information from two GAO reports on funding gaps that also discuss continuing resolutions in some depth. One of these reports, "Funding Gaps Jeopardize Federal Government Operations" (PAD-81-31, March 3, 1981), included data on the number of times funding gaps occurred and the major reasons for passing continuing resolutions from fiscal years 1962 through 1981. Your representative then asked us to (1) provide the Committee staff with an analysis of late enactment of appropriations both before and after the 1974 Budget Act was passed (see tables in the enclosure) and (2) update the report information by including both fiscal year 1982 information and reasons for the current situation.

Continuing resolutions have been used 78 times from fiscal year 1962 to the present. In fiscal year 1982, there was an impasse over the terms of the continuing resolution. In particular, its spending levels on social programs and foreign aid did not satisfy the President. This impasse caused a funding gap (one of two during this fiscal year) that in turn caused a partial shutdown of Government offices on November 23, 1981. In December, 9 of the 13 appropriations acts for fiscal year 1982 were passed, but agencies affected by 4 appropriations (Labor, HHS, and related agencies; legislative branch; State, Justice, Commerce, Judiciary, and related agencies; and Treasury, Postal, and Executive Office) operated on a continuing resolution for the entire fiscal year.

Since the continuing resolution for fiscal year 1983 was enacted the morning of October 2, this fiscal year also started with a funding gap. Only one appropriation bill had been signed into law before the start of fiscal year 1983, and again there was the possibility that serious disruption of Government operations could occur. The funding gap was caused by repeated delays

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and uncertainties in the budget and appropriations process that were beyond the control of any particular committee of the Congress. For instance, there was a heavy preadjournment workload that included debate on abortion, school prayer, and disagreement on riders.

The heavy workload that causes delays in funding stems in large part from a process that is unnecessarily repetitive, a structure and system that is unduly complex, and a level of decisionmaking that is inappropriately detailed. I think the current situation again demonstrates the need to reiterate the theme of my testimony before your Committee--the budget process needs to be simplified with an aim towards a balance among stability, control, and flexibility.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of the report. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Charles A. Bowsher

Comptroller General
of the United States

Enclosure

Table 1*

Late Enactment of Appropriations Bills a/ Before and After the 1974 Budget Act (As of October 1982) b/

Appropriations c/	Late Enactment			
	Before Act		After Act d/	
	Total Number	Percent	Total Number	Percent
Agriculture and related agencies	15 of 15	100%	5 of 7	71%
Defense	15 of 15	100	5 of 7	71
Energy-Water (public works)	15 of 15	100	4 of 7	57
Foreign assistance and related programs	15 of 15	100	7 of 7	100
HUD and independent agencies e/	15 of 15	100	4 of 7	57
Interior and related agencies	12 of 15	80	5 of 7	71
Labor, HHS, and related agencies	15 of 15	100	6 of 7	86
Legislative branch	15 of 15	100	5 of 7	71
Military construction	15 of 15	100	4 of 7	57
State, Justice, Commerce, Judiciary, and related agencies	15 of 15	100	4 of 7	57
Transportation and related agencies f/	9 of 9	100	4 of 7	57
Treasury, Postal, and Executive Office	11 of 15	73	4 of 7	57
Government-wide Total	167 of 174		57 of 84	
Percent		96%		68%

Notes to Table 1

a/Late enactment after June 30 for fiscal years 1962-76 and after September 30 for subsequent fiscal years.

b/Only two appropriation bills, HUD and independent agencies and military construction, had been passed prior to adjournment. However, the President only signed HUD and independent agencies before the beginning of this fiscal year.

c/Appropriations categories based on structure supplied by the Department of the Treasury. Excludes the District of Columbia appropriations.

d/We have included 12 of the 13 FY 83 appropriations in this category because the earliest the Congress could act on these bills would be November 29, 1982, when they come back into session. There is a possibility that these bills may be passed later in the fiscal year, or not at all.

e/HUD funded as an independent agency prior to FY 67.

f/Transportation and related agencies' appropriation bill came into existence in FY 68.

*The figures in this table will vary from the table outlined in the GAO report entitled "Funding Gaps Jeopardize Government Operations" (PAD-81-31) March 3, 1981, because the information has been updated and adjusted based on further analysis.

Table 2*

Late Enactment of Appropriations Bills a/ Before the 1974 Budget Act (FY 1962-1976)

Appropriations b/	Late		Stratification of Late Appropriation Bills				
	Total Number	Percent	Less than 1 month	1-3 months	3-6 months	6-9 months	9-12 months
Agriculture and related agencies	15 of 15	100%	1	5	9	--	--
Defense	15 of 15	100	--	4	8	3	--
Energy-Water (public works)	15 of 15	100	--	6	9	--	--
Foreign assistance and related programs	15 of 15	100	--	1	6	6	2
HUD and independent agencies c/	15 of 15	100	1	6	8	--	--
Interior and related agencies	12 of 15	80	4	5	3	--	--
Labor, HHS, and related agencies	15 of 15	100	--	5	6	3	1
Legislative branch	15 of 15	100	6	5	4	--	--
Military construction	15 of 15	100	--	6	8	1	--
State, Justice, Commerce, Judiciary, and related agencies	15 of 15	100	--	5	10	--	--
Transportation and related agencies d/	9 of 9	100	--	5	3	--	1
Treasury, Postal, and Executive Office	11 of 15	73	3	7	1	--	--
Government-wide Total	167 of 174		15	60	75	13	4
Percent e/		96%	9%	34%	43%	7%	2%

Notes to Table 2

a/Late enactment after June 30 for fiscal years 1962-76 and after September 30 for subsequent fiscal years.

b/Appropriations categories based on structure supplied by the Department of the Treasury. Excludes the District of Columbia appropriations.

c/HUD funded as an independent agency prior to FY 67.

d/Transportation and related agencies' appropriation bill came into existence in FY 68.

e/Any difference in the percentage is due to rounding.

*The figures in this table will vary from the table outlined in the GAO report entitled "Funding Gaps Jeopardize Government Operations" (PAD-81-31) March 3, 1981, because the information has been updated and adjusted based on further analysis.

Table 3*

Late Enactment of Appropriations Bills a/
(FY 1977-1983)
After the 1974 Budget Act
(As of October 1982) b/

Appropriations c/	Late d/		Stratification of Late Appropriation Bills				
	Total Number	Percent	Less than 1 month	1-3 months	3-6 months	6-9 months	9-12 months
Agriculture and related agencies	5 of 7	71%	1	4	--	--	--
Defense	5 of 7	71	1	4	--	--	--
Energy-Water (public works)	4 of 7	57	1	2	--	--	1
Foreign assistance and related programs	7 of 7	100	3	2	--	--	2
HUD and independent agencies e/	4 of 7	57	1	3	--	--	--
Interior and related agencies	5 of 7	71	1	4	--	--	--
Labor, HHS, and related agencies	6 of 7	86	1	1	--	--	4
Legislative branch	5 of 7	71	1	1	--	--	3
Military construction	4 of 7	57	2	2	--	--	--
State, Justice, Commerce, Judiciary, and related agencies	4 of 7	57	1	1	--	--	2
Transportation and related agencies f/	4 of 7	57	1	3	--	--	--
Treasury, Postal, and Executive Office	4 of 7	57	1	1	--	--	2
Government-wide Total	57 of 84		15	28	--	--	14
Percent g/		68%	18%	33%	--	--	19%

Notes to Table 3

a/Late enactment after June 30 for fiscal years 1962-76 and after September 30 for subsequent fiscal years.

b/Only two appropriation bills, HUD and independent agencies and military construction, had been passed prior to adjournment. However, the President only signed HUD and independent agencies before the beginning of the fiscal year.

c/Appropriations categories based on structure supplied by the Department of the Treasury. Excludes the District of Columbia appropriations.

d/We have included 12 of the 13 FY 83 appropriations in this category because the earliest the Congress could act on these bills would be November 29, 1982, when they come back into session. There is a possibility that these bills may be passed later in the fiscal year, or not at all.

e/HUD funded as an independent agency prior to FY 67.

f/Transportation and related agencies' appropriation bill came into existence in FY 68.

g/Any difference in the percentage is due to rounding.

*The figures in this table will vary from the table outlined in the GAO report entitled "Funding Gaps Jeopardize Government Operations" (PAD-81-31) March 3, 1981, because the information has been updated and adjusted based on further analysis.

Table 4

Funding Gaps in Federal Appropriations Between FY 1968 and FY 1983

	Major Causes of Delay
1983	Heavy preadjournment workload, including debate on abortion, school prayer, and disagreement on riders.
1982	November 21-23--Impasse over the terms of the continuing resolution, particularly its spending levels where it did not cut enough from social programs or add enough for foreign aid to satisfy the President. October 1--Result of disagreement over riders regarding compensation of members, including congressional pay increases, tax deductions, and honoraria limit for Senators.
1981	Sixteen-hour gap result of disagreement on riders, busing, abortion, and congressional pay increase.
1980	Congressional pay increase, abortion, Federal Trade Commission authority, and various riders.
1979	Abortion, public works water projects, and delays in passing authorizing legislation.
1978	Abortion and D.C. convention center.
1977	Heavy preadjournment workload created by abortion issue.
1975	U.S. military aid to Turkey.
1974	Allocation of funds to States and localities for educational aid to the disadvantaged.
1973	Impoundment and reconstruction aid for North Vietnam.
1972	Foreign aid authorization, policy for withdrawing troops from Indochina, and aid to Cambodia.
1970	Major delays in enacting appropriations bills and Federal spending and inflation issues related to Labor-HEW appropriations.
1968	Presidential request for a 10 percent surtax and proposed cuts in Federal spending.

WRITTEN COMMITTEE QUESTIONS TO SENATOR BIDEN AND THE RESPONSES

Before answering your specific questions, let me say again that the important feature of my legislation is to achieve continuing review of tax expenditures by all qualified committees of Congress and by Congress itself. The precise mechanisms should receive further study by the Budget Committee, the Government Affairs Committee, and all other interested committees.

Question. Would you discuss how your proposal for including tax expenditures in the budget process would have applied to the consideration of the Economic Recovery Tax Act of 1981? Do you think the inclusion of a ceiling on tax expenditures in last year's budget resolution would have changed the outcome?

Background: The 1981 Act developed into a partisan bidding war for votes. Consequently, the finally enacted bill created 8 new tax expenditures and expanded 21 existing ones at a 3-year (fiscal year 1982–84) revenue loss of $82 billion.

Answer. My legislation would certainly have changed the process for enacting the Economic Recovery Tax Act of 1981, and therefore it might well have changed the outcome. My bill, of course, would not have applied to the individual income tax cuts, and therefore would not have affected their adoption. But it would have required that all of the new and enlarged tax expenditures be studied by authorizing committees and that authorizing legislation be approved by Congress before such changes in tax law were made through ERTA. This would have provided additional expert views on the tax expenditures in ERTA. Thus it might well have changed the outcome in so far as tax expenditures were involved.

As to whether a ceiling on tax expenditures (which of course, is not provided by my bill) would have changed the outcome of ERTA, clearly this would have depended on the enforceability of the ceiling, the dollar level of the ceiling, whether there were functional ceilings, and many other things. But a ceiling of some kind, which I would favor, would certainly have focused more attention on the tax expenditure features of ERTA, and provided another guide against which to measure the budgetary impacts of the bill.

Question. Many of the tax reform provisions of the Tax Equity and Fiscal Responsibility Act of 1982 were not previously listed as tax expenditures. These included completed contract, modified coinsurance, and compliance provisions, to name a few. How would you suggest these be treated under your proposal?

Answer. My bill simply accepts the tax expenditure definition in the Budget Act and makes no further effort at definition. Some further definition may be needed, but it is probably more important that there be a definition, than precisely what that defintion is. I would not usually think of compliance provisions as tax expenditures although perhaps some might be. It is possible that completed contract and modified coinsurance could be so listed. But, in any event, there are no requirements in my bill affecting tax expenditures that are being tightened or reduced in order to increase revenues, so my bill would have had no impact in those cases. (Just because there was authorizing legislation, as my bill provides, there would not have to be a parallel tax provision, any more than there has to be an identical appropriation to match each spending authorization.)

Question. Wouldn't your proposal result in problems of numerous joint referrals—that is, a bill introduced by one committee would necessarily have to be referred to the Finance Committee for purposes of implementation. Which committee would be considered to have authorized a tax expenditure?

Answer. My bill would not require joint referral in the usual sense, since it envisions two separate pieces of legislation. There would be authorizing legislation, which would be referred to the legislative committee with the substantive, subject matter jurisdiction. After the authorizing legislation was enacted, there would be tax legislation to implement the authorization, just as there are appropriations bills to implement spending authorizations. Tax legislation—which would look pretty much like it does now—would go only to Ways and Means and Finance. The process would be slower, but it would be done with more expertise and more care, so that hopefully we would have less waste.

Question. How would your proposal deal with legislation such as countercyclical tax measures designed to stimulate the economy?

Answer. My bill would set up a system to deal with countercyclical tax expenditure measures that would parallel the system now used to deal with countercyclical spending programs. There would first have to be authorizing legislation, processed by the legislative committees, and adopted by Congress, describing program goals for stimulating the economy. Then there would be a tax bill containing the tax law changes to implement the program goals described in the authorizing legislation. That parallels the present spending process where authorizing legislation would describe the countercyclical spending program, and an appropriations bill would fund it. Thus there would be two reviews by Congress. The first review would determine the need to stimulate the economy, the sectors to be stimulated, the economic goals to be achieved, and the cost in lost revenue. The second review would be of the tax expenditure mechanisms to achieve the economic goals, and in many case the choice of mechanisms would be wide.

WRITTEN COMMITTEE QUESTIONS TO GEORGE GROSS, DIRECTOR OF THE NATIONAL LEAGUE OF CITIES, AND THE RESPONSES

National League of Cities
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Ferd L. Harrison
Mayor, Scotland Neck, North Carolina

First Vice President
Charles Royer
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Second Vice President
George Latimer
Mayor, St. Paul, Minnesota

Immediate Past President
William H. Hudnut, III
Mayor, Indianapolis, Indiana

Executive Director
Alan Beals

ANSWERS TO QUESTIONS SUBMITTED BY

SENATORS DOMENICI AND HOLLINGS

Enforcement of Budget and Fiscal Decisions

(1) Should a point of order be provided against bills which exceed committee or subcommittee allocations?

No. A point of order would be appropriate only if the first resolution targets and resulting committee and subcommittee allocations were made ceilings. Committees and subcommittees need flexibility to respond to changing needs and circumstances, both major and minor. A major breach of the targets should be resolved, on the merits, by the full House or Senate; a minor breach--often the result of changing estimates--should not be subjected to a point or order. The record of substantial compliance with spending targets, together with the restrictions on enrollment of bills now in use, are adequate to handle this problem.

Finally, if a point of order were to be available against bills exceeding their allocations, should not one be available against those that fall substantially below their allocations? From the point of view of the fiscal policy set by the First Budget Resolution, such a breach should be regarded as equally serious.

Forseeable later requirements should be incorporated--to the maximum extent practicable--in the First Budget Resolution targets. To the extent that they cannot be forseen, this must be considered a further agrument against making points of order available against breaches of committee and subcommittee allocations.

Past Presidents: **Tom Bradley,** Mayor, Los Angeles, California • **Henry W. Maier,** Mayor, Milwaukee, Wisconsin • **Tom Moody,** Mayor, Columbus, Ohio • **Jessie M. Rattley,** Councilwoman, Newport News, Virginia • **John P. Rousakis,** Mayor, Savannah, Georgia • ***Directors:*** **Richard Arrington, Jr.,** Mayor, Birmingham, Alabama • **Carol Bellamy,** Council President, New York, New York • **Arne Boyum,** Executive Director, North Dakota League of Cities • **Richard S. Caliguiri,** Mayor, Pittsburgh, Pennsylvania • **Malcolm Clark,** Council Member, Port Arthur, Texas • **Joanne Collins,** Council Member, Kansas City, Missouri • **Thomas H. Cooke, Jr.,** Mayor, East Orange, New Jersey • **David Cunningham,** Council Member, Los Angeles, California • **W. Elmer George,** Executive Director, Georgia Municipal Association • **Karen M. Graves,** Commissioner, Salina, Kansas • **Anne Gresham,** Council Member, Grand Prairie, Texas • **Paul E. Haney,** Council Member, Rochester, New York • **Jonathan B. Howes,** Mayor Pro Tem, Chapel Hill, North Carolina • **George M. Israel, III,** Mayor, Macon, Georgia • **Myra Jones,** Vice Mayor, Little Rock, Arkansas • **Christopher G. Lockwood,** Executive Director, Maine Municipal Association • **Bob Martinez,** Mayor, Tampa, Florida • **Robert H. Miller,** Executive Director, South Dakota Municipal League • **Jack Nelson,** Mayor, Beaverton, Oregon • **Mary Neuhauser,** Council Member, Iowa City, Iowa • **C. David Nuessen,** Mayor, Quincy, Illinois • **Hernan Padilla,** Mayor, San Juan, Puerto Rico • **Donald R. Peoples,** Chief Executive, Butte, Montana • **Martin L. Peterson,** Executive Director, Association of Idaho Cities • **Michael J. Quinn,** Executive Director, Indiana Association of Cities and Towns • **Vernon H. Ricks, Jr.,** Mayor Pro Tem, Takoma Park, Maryland • **Arthur E. Trujillo,** Mayor, Santa Fe, New Mexico • **George V. Voinovich,** Mayor, Cleveland, Ohio • **Daniel K. Whitehurst,** Mayor, Fresno, California • **Don A. Zimmerman,** Executive Director, Arkansas Municipal League

(2) What change, if any, should be made in existing reconciliation procedures?

If my recommendation of a revised timetable were adopted (that is, adoption of the First Budget Resolution by April 1 and reporting of reconciliation bills by June 1 or July 1), Congress ought to consider encouraging combining of authorization and reconciliation bills. It makes sense to consider these measures together, permitting comprehensive consideration of program changes together with funding levels. Authorizing committees would benefit by not having to act on two separate bills and both Houses would benefit by having reduced floor activity. All floor amendments should be permitted.

Budget Cycle

(1) Should any changes be made in the present annual budget timetable to better reflect the work patterns of Congress?

As stated in my testimony, the First Budget Resolution should be adopted by April 1 so that adequate time would be available for committee action on authorization--reconciliation measures. That is the major change I believe is needed. If this change were adopted, parallel changes should be made with respect to committee reports and the CBO report: the former should be required by February 15, the latter by March 1.

(2) Should the requirement for a Second Budget Resolution in the Fall of the year be eliminated?

I suggest a new procedure for the Second Resolution in my testimony.

(3) Should the federal fiscal year be made concurrent with the calendar year?

Yes. While I am reluctant to suggest another change in the fiscal year, a calendar year basis would certainly better reflect Congress's work patterns.

(4) Should Congress adopt a two-year budget authorization and appropriation cycle as has been proposed by several Members of Congress?

Definitely not. My reasons are spelled out in my letter to Senators Quayle and Ford, submitted to the Committee.

Impoundment Control

(1) What changes, if any, should be made in Title X of the Budget Act to enable Congress and the President to keep actual outlays from exceeding those provided for in approved budgets?

To the extent that there is a problem here, I do not think it can be dealt with under Title X. Outlays fluctuate substantially in both mandatory and discretionary programs as a result of basic law and numerous unforseen events. What is needed is better reporting of outlays by agencies and OMB so that Congress, and particularly the Budget Committees, can take appropriate action if outlays are substantially higher, or lower, than contemplated.

(2) Should Congress establish a procedure for limiting growth of entitlement programs similar to that used for federal pay raises--Presidential determinations subject to Congressional override?

This is a reasonable solution, so long as some degree of certainty is provided for program recipients. For example, it might be used on two-year basis with the first-year amount certain and the second-year amount a range, but not less than 1-2 percent below the first-year amount. Such a method would provide for reasonable control with relative certainty for program recipients, assuring them against a sharp and unexpected drop in benefit levels.

Range of Fiscal Controls

(1) What, if anything, should be done to expand the scope of Congressional budget resolutions?

(a) Credit activities. The comprehensive controls included in the First Budget Resolution for FY 1983 are a good start. Congress should use them for two to three years before deciding on the next steps.

(b) Off-budget spending. This is not a real problem: off-budget spending may be off-budget, but Congress still controls that spending through its legislative process. What is involved, of course, is a huge addition to the federal budget deficit, which no sitting President can view calmly. A solution: place off-budgets on-budget at some future date, perhaps five years from now.

(c) Tax expenditures. Because of definition and computation problems, tax expenditures cannot be brought fully within the scope of budget resolutions. Allan Schick, formerly of the Library of Congress, has made a useful suggestion, however: budget resolutions should include a limitation on annual changes in tax expenditures, rather than on the total of such expenditures. This would permit Congress to control the enactment of new tax expenditures, which is long overdue.

(d) Revolving Funds. The issue here seems to be "grossing" or "netting", again not a serious budget problem. My recommendation is the same as with respect to off-budget spending: that is, if "grossing" is to be adopted, do it five years in the future to avoid substantially higher budget amounts accruing to a sitting President.

Implementation of Balanced Budget Constitutional Amendment

I strongly oppose enactment of S.J. Res. 58 as bad fiscal policy and bad budget policy. Implementing legislation will be needed, however. Its exact nature should await final action, if any, on the amendment itself.

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United States Senate
COMMITTEE ON
RULES AND ADMINISTRATION
WASHINGTON, D.C. 20510

September 24, 1982

Honorable Pete V. Domenici
Chairman
Committee on the Budget
203 Carroll Arms
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you again for the opportunity to appear before the Committee on the Budget to discuss converting the budget process from a one-year to a two-year cycle.

I think this would be a beneficial change, and I compliment you again for including it among the topics to be considered in the hearings.

The supplement to my prepared statement, commenting on the questions you sent with your letter of invitation, is attached for inclusion in the hearing record.

With all good wishes, I am

Sincerely,

Wendell

Wendell H. Ford

Enclosure

WRITTEN COMMITTEE QUESTIONS TO SENATOR WENDELL H. FORD, AND THE RESPONSES

A. Enforcement of Budget and Fiscal Decisions

A. 1. "Should a point-of-order be provided against bills which exceed committee or subcommittee allocations?"

Comment

No. Such points of order would be too restrictive and would elevate advisory planning documents to too binding a status. Moreover, such a change still leaves the problem of how to know if an allocation has been exceeded in the first place.

S. 2864, the "Budget Procedures Imporvement Act of 1982," which Mr. Quayle and I introduced on August 19, 1982, solves the problem which the proposal in the question purports to address, without inducing excessive rigidity into the process. S.2864 solves the problem through two new requirements. First, allocation reports and spending bills must contain or be accompanied by tables in which the budgetary aspects of the bill and the report are expressed in the same accounts in which the President's budget recommendations are presented. Because of this requirement, it will be possible to know precisely where and by how much spending bills vary from committees' earlier estimates as stated in their allocation reports.

Second, all spending bills will be required to be withheld from enrollment until action is completed on the second budget resolution and reconciliation bill or resolution, if any. The new provision will prevent continuation of the current problem in which bills enacted early take up room in the budget needed by bills later in time. Under this requirement all bills will be kept equally susceptible to revision through reconciliation, and the current problem of having to anticipate the magnitude of undefined future requirements disappears.

A. 2. "Should foreseeable later requirements be counted in determining whether appropriation bills create budget problems."

Comment

No. The difficulties of establishing agreement over the amount to be in future legislation would make this unworkable. The solution to the problem which this purports to solve is in S.2864. See discussion under A.1.

A. 3. "What change if any should be made in existing reconciliation procedures."

Comment

First, more time should be allowed for committees to comply with reconciliation instructions and for floor and conference consideration of reconciliation bills. The schedule in S.2864 satisfies this need.

Second, the existing procedures should be strengthened by explicitly prohibiting the kinds of violations that have been used in the past few years, however necessary they may have been in a one-year budget cycle. S.2964 satisfies this requirement too.

Third, there should be a new point of order against reconciliation bills which include provisions that have no effect on the levels of revenue, budget authority, outlays, or the public debt. Reconciliation bills should not be a vehicle for omnibus legislative change unrelated to enacting a budget.

A. 4. "Should greater flexibility be provided for Floor Amendments to reconciliation bills? (For example, should amendments be in order which are non-germane to material in a reconciliation bill, but which would save money in programs under the jurisdiction of committees receiving reconciliation instructions?"

Comment

With the increased time for debate that is possible in a two-year budget schedule, the strict limitations on amendments to reconciliation bills need not be retained, and any amendment proposing any change in any law or in any spending measure pending enrollment which would determine the levels of revenues, budget authority, outlays, or the public debt could be allowed. There should be a requirement for arithmetical consistency, however, like that which applies to budget resolutions. That is, members should be free to propose alternatives to the spending and revenue modifications in the reconciliation bill, so long as the mathematical balance between the parts and the whole is preserved.

If such a change is made, consideration should also be given to ways to ensure that amendments are not brought up before members have had an opportunity to become familiar with them.

B. Budget Cycle

B. 1. "Should any changes be made in the present annual Congressional budget timetable to better reflect the work patterns of Congress?"

Comment

Yes. The budget process should be made a two-year process, as proposed by S.2864, the "Budget Procedures Improvement Act of 1982."

B. 2. "Should the requirement for a Second Budget Resolution in the Fall of the year be eliminated? If so, what provisions should be made in the Budget Act for updating of Budget resolutions"

Comment

No. We should stay with a two-resolution system, because it is a more rational way to form a budget, and we should go to a two-year cycle so that it can work.

B. 3. "Should the Federal Fiscal year be made concurrent with the calendar year?"

Comment

No. There is no reason to make such a change, and one very good reason not to. The reason not to is that the books could not be closed for the prior year in time for the President to include prior year actual figures in the presentation of his recommendations. September 30 is about as late as the fiscal year can end and the President submit numbers in January. Of course, we could give the President until March or April to submit his proposals. In a one-year process that seems undesirable; it leaves the Congress with too little time. In a two-year process it might be acceptable and would give a newly elected President time to prepare his recommendations. As we all know, the budget submitted in January now by an outgoing President is a throw-away document anyway; the incoming President uses the March update for his proposals.

B. 4. "Should Congress adopt a two-year Budget Authorization and Appropriation cycle as has been proposed by several members of Congress?"

Comment

Yes. See main body of statement.

B. 4. a. "If a two-year cycle became a reality, what would be the best sequencing of budget resolutions, authorization and appropriations bills?"

Comment

The schedule in S.2864. See main body of statement.

B. 4. b. "If a two-year cycle were adopted, how could flexibility for mid-course corrections be provided?"

Comment

Supplementals can and should be offered whenever they are needed. They should not be scheduled, or they become a regular event around which time is allocated and for which additional resources are acquired.

B. 4. c. "Would a two-year cycle inhibit the ability of a new President to implement the platform on which he was elected?"

Comment

The question raises another question of profound significance. That question is whether we should try to have "short-fuse" procedures so that public policy can be subjected to many and swift changes in direction, with minimal, if any debate; or if we should recognize that we move powerful levers here and merely to nudge one a tiny bit usually has wrenching effects on millions of individuals, businesses, and governments, at home and abroad. We should move them slowly and deliberately, with as much certainty as to the effects we are producing as hard thinking and hard study will yield us. Only in the most extreme of emergencies, such as that which President Franklin D. Roosevelt faced when he took office in his first term, is suspension of the processes of due deliberation warranted.

Since that time, however, almost every President has come into office bent on carrying out a social and economic revolution in his first hundred days. All we get from this behavior is instability and uncertainty and the bad effects of ill-considered changes. And to argue that the country just has to suffer through this is absurd. We all know, Mr. Chairman, that to argue that electing a man President is the same as a positive referendum on each idea he advocated in his campaign is the most extreme nonsense anyone could utter. All that can be said with certainty is that one person received more votes than another. That man then has the opportunity to submit proposals for legislation. But it cannot be asserted that the public has somehow agreed to all of his proposals in advance in choosing him in preference to another candidate.

Mr. Chairman, there is one place and one place only where it can be ascertained with any confidence how the public thinks on an issue and that place is the Congress of the United States. It is through the discussions and decisions of the people's elected representatives, of the 535 men and women who comprise the Senate and the House of Representatives, that the American people discuss and decide an issue. This is the way it has to be Mr. Chairman if government is to be "by the people," however frustrating that may be to Presidents and their assistants.

C. Impoundment Control

C. 1. "What changes if any should be made in Title X of the Budget Act to enable Congress and the President to keep actual outlays from exceeding those provided for in approved budgets?"

Comment

For purposes of this answer it is assumed that the outlays in question are those from permanent, indefinite budget authority. Outlays from current, definite budget authority are not only comparatively smaller, but, if they are higher in one year than was estimated, are correspondingly lower in the following year or years. That is because they are ultimately limited by the amount of budget authority, and it should not of great concern whether a dollar that is obligated is actually spent in one fiscal year or the next.

Considering then outlays from permanent, indefinite budget authority, such as outlays from the large trust funds, most of which are referred to as "entitlement programs," unless Congress is willing to consider such actions as putting annual outlay ceilings on them, which I consider wholly impractical and probably illegal denials of rights created by law, there is nothing that can or should be done outside of ensuring that the programs are designed on a sound basis.

For the most part these programs are similar to insurance and private pension programs and the Congress is in the same position as a company in that kind of business. That is, it is of extreme importance that the Congress be as realistic in its estimates of expenditure that will result from different benefit rates and elegibility criteria as an insurance company must be to remain solvent. Congress needs to do the best job that can be done in obtaining the best professional estimates of what outlays will be for different alternatives and then Congress has to pick the alternative that the nation wants and can afford. If this is done, there should be no need for the kind of arbitrary cutoffs that are sometimes proposed.

C. 2. "Should Congress establish a procedure for limiting growth of entitlement programs similar to that used for Federal pay raises -- Presidential determinations subject to Congressional over-ride?"

Comment

No. That would be an unacceptable and wholly improper delegation of legislative power. Congress should strive to perfect the accuracy of its estimates and act responsibly on those estimates.

D. Range of Fiscal Controls

D. 1. "What if anything should be done to expand the scope of Congressional budget resolutions?"

Comment

See D. 3 for comments on off-budget activities.

D. 2. "Do the provisions on Federal credit activities included in this year's First Budget Resolutions provide a suitable approach for the longer term? What provisions relating to Federal Credit should be included in the Budget Act?"

Comment

This may or may not have merit. I included provisions in S.1683 which would bring Federal credit programs into the budget process, but Senator Quayle and I did not include such provisions in S.2864. I understand that the Budget Committee has a task force looking into this question.

There could be objections raised to this expansion of the budget process though. As I understand it, the budgetary impact of Federal credit programs is already included in the budget process through inclusion of the budget authority and outlays for direct loans and for the estimated losses on loan guarantees. To go beyond this could be viewed as a use of the budget process for a purpose quite beyond that of establishing the Federal budget. What would be next? The money supply "budget"? The acreage allotment "budget"? I imagine that there is an endless list of things for which overall costs could be stated; the word "budget" appended to the name; and the arguments launched urging their inclusion in the "budget" process.The net costs of credit programs are legitimate areas of interest for budget makers, and this input should be carefully assessed and highlighted as a "real" budget factor. However, the question of whether the budget process itself should attempt to enter the credit program policy arena further than this needs careful thought.

I would hope that members of the Banking Committee would comment on this subject during your hearings, as I think they are the ones likely to be most affected by this expansion.

D. 3. "Should off-budget spending be brought on budget?"

Comment

I am inclined to say "Yes," but I'm not too sure that it is a matter of great importance. On the one hand, the whole notion sounds like an attempt to fool the people by making the budget look lower than it really is. On the other, there may be something about the nature of the off-budget programs that warrants this status. The amounts for the programs are published in budget documents, so anyone who is interested can find out what they are and how much they cost. I would defer to the authorizing committees and the Committee on Governmental Affairs on this question.

D. 4. "Should tax expenditures be specificaly dealt with in budget resolutions? If so, how?"

Comment

No. "Tax expenditures" are already dealt with implicitly in stating the total revenues. To go any further is to intrude without reason into that which is the responsibility of the Finance Committee. In addition, the whole notion is of dubious validity, and raises definitional questions of extreme difficulty. Also, there is the difficulty of measurement of the amount of any "tax expenditure" because of the absence of any way of predicting the second and third order effects that would result from the behavioral changes which would follow a change in the provision. This can be so extreme that what looks on the surface like a loss of revenue may in fact create revenue by promoting taxpaying economic activity which would not otherwise occur. I would defer to the Finance Committee on this question.

D. 5. "Should any change be made in the budget treatment of revolving funds"

Comment

I would defer to the Committee on Governmental Affairs on this question.

E. Implementation of Balanced Budget Constitutional Amendment

"A balanced budget Constitutional Amendment (S. J. Res. 58) was recently approved by the Senate. Assuming such an amendment is adopted by Congress and submitted to the states for ratification, the following questions arise.

E. 1. "The balanced budget amendment provides for the enactment of legislation to implement it. What changes in the Congressional Budget Act should be included in that implementing legislation?"

Comment

Mr. Chairman, on August 3, 1982, during floor debate on S.J.Res.58, I asked if the Balanced Budget Amendment would prohibit going to a two-year cycle. I was assured by the Chairman of the Committee on the Judiciary, the distinguished Senior Senator from South Carolina, Senator Thurmond, that he knew of nothing in the Amendment that would prevent going to a two-year cycle.

I believe a two-year budget cycle would serve not only to remedy many of the current problems with the budget process; it would also benefit the requirement for a balanced budget, with balance over the two-year period instead of each year.

E. 2. "Should the legislation implementing the balanced budget amendment provide for the amendment's provisions to become effective before ratification by the states is complete so that the procedures can be tested and "de-bugged" by the time ratification is complete?

Comment

No. It would be wholly improper to implement an amendment while the ratification process is still going on. It both makes a mockery of the ratification process and improperly tends to influence behavior of those in State legislatures who are called on to decide the question if it appears that it has been implemented as a *fait accompli*.

E. 3. "Are any statutory transition provisions necessary -- either during the intervening years or at the point of final ratification -- to take account of the fact that the Federal budget is not now in balance and that deficits are predicted for the next several years?

Comment

No. A transition period before ratification would be improper. Congress should not implement amendments that might be rejected. And a transition period after ratification seems not to be provided for in the Amendment.

This does not mean that every effort to balance the budget, consistent with paramount national needs, should not go forward prior to ratification action by the States.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

STATEMENT OF THE HONORABLE DAVID A. STOCKMAN
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
SENATE BUDGET COMMITTEE
SEPTEMBER 21, 1982

Mr. Chairman:

I welcome this opportunity to participate in your deliberations on the Congressional Budget Act. I have reviewed, with great interest, the testimony delivered before your Committee and the three other House and Senate committees holding hearings on the Budget Act this year. The predominant concerns expressed seem to fall into three categories: the need to limit the time the budget process takes out of the legislative calendar; the need for fundamental reform in the appropriations process; and the need for a whole variety of minor adjustments to the procedural requirements of the Budget Act.

Mr. Chairman, these three areas deserve careful study as you consider recommending changes to the Senate in the structure of the budget process. I would like to suggest, however, that there is an important structural problem that cuts across these categories that also deserves considerable thought. That is the question of how fiscal priority decisions made during the development of the Budget Resolution can actually be implemented during subsequent Congressional action.

Current Budget Act Priorities

To date, the great challenge to -- and success of -- the Budget Act has been in establishing fiscal priorities. The major public attention directed to this past year's efforts to adopt the First Concurrent Resolution indicates that the Resolution is now viewed as the centerpiece of the Congressional budget process.

Translating Priorities into Reality

In my view, the reason why the Budget Act process has attracted this attention is because the public now understands that the broad tax and spending priorities established in the

First Resolution will actually be implemented through later congressional action in a number of areas. As the following table indicates, this has not always been the case:

TABLE A

FIRST RESOLUTION ESTIMATES OF OUTLAYS VERSUS ACTUALS, FY'S 1977-1982

	1977	1978	1979	1980	1981	1982
First Resolution Estimate	413.3	460.9	498.8	532.0	613.6	695.4
Actuals	401.9	449.9	493.7	579.6	660.5	731.5
Difference	-11.4	-11.0	-5.1	+47.6	+46.9	+35.6

As the table indicates, the major problem with the first three Budget Resolutions was the tendency of the Budget Act system to overestimate spending. This tendency changed dramatically, however, beginning with the FY 1980 budget, as the national trend toward more prudent fiscal policies was reflected in the attempt to hold the line on the outlay side.

As the table indicates, however, simple assertions of intent were insufficient to hold FY 1980 outlays anywhere near the prescribed levels. While much of the shift in the numbers was due to the soaring inflation and rising interest rates of the period, no mechanism was available to offset these trends with commensurate reductions in other spending areas.

Beginning in FY 1981, therefore, the Congress found itself compelled, for the first time, to implement the Reconciliation mechanism prescribed in the Budget Act. Given the relatively modest scope of the effort on the first try, little progress was made in holding the line. By 1982, however, some headway was being made against a widening of the budget gap, even in the face of an unpredicted recession that carried with it upward spending pressures.

Examination of progress made to date on implementation of the FY 1983 Budget Resolution confirms the view that successful enforcement of Resolution policy assumptions leads to success in controlling government spending.

TABLE B

FY 83-85 SAVINGS ACHIEVED TO DATE

(in billions of dollars)

	Resolution Target	Savings Achieved to Date	Implementation Mechanism
Total revenues....	98.3	100.6	Reconciliation
Targeted entitlements:			
In Reconciliation Directive..........	19.8	15.5	Reconciliation
Other..........	5.6	--	None
Nondefense discretionary....	33.5	2.3 1/	302(b) Limits
Management initiative:			
In Reconciliation Bill....	2.1	2.0	Reconciliation
Unreconciled...	39.6	--	None

1/ Continuing Resolution Levels for FY 83 only

User fees:			
In Reconciliation Bill....	0.3	0.3	Reconciliation
Unreconciled...	3.9	--	None
Federal Pay.......	26.1	5.1	None
COLAs.............	5.4	3.4	Reconciliation
Defense...........	20.8	9.2 1/	302(b) Limits
Other program savings..........	3.6	6.5	Reconciliation
Subtotal....	259.0	144.9	
Net interest:			
Lower rates.....	54.9	na	Not applicable
Lower deficits.......	52.8	na	Not applicable

Rejection of CBO reestimates in baseline.........	11.8	na	Not applicable
Total savings.....	378.5	144.9	
Assumed Savings with implementation mechanism........	183.8	72%	% achieved
Assumed Savings without implementation mechanism........	75.2	7% 2/	% achieved

IMPROVED PROCEDURES FOR IMPLEMENTING THE FIRST BUDGET RESOLUTION

As the preceding table illustrates, the key to implementing the savings proposed in the First Resolution is a specific implementation procedure. Setting aside limitations on Executive

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2/ Entirely Federal pay savings

Branch pay, which the Congress has routinely enforced, spelling out enforcement mechanisms in the Resolution is a necessary, if not sufficient, condition for achieving the proposed savings.

In considering options for enhancing the Budget Act's implementation machinery, I do not believe it is necessary to rely primarily on legislative changes to add force to the First or Second Resolution process. Rather, in many instances, I believe the First Resolution itself could embrace provisions which would lay out a clear path towards implementation of the many policy assumptions and recommendations contained in the Resolution Conference Report. Moreover, I believe that these methods can be fashioned without diminishing the latitude granted by the Budget Act to the Appropriations and authorizing Committees to establish policy priorities.

In the sections below, I outline suggestions that the Committee may wish to consider in fashioning next year's Resolution.

General Observations

In general, the Budget Act provides only two mechanisms for implementing policy decisions made within the budget process -- reconciliation, and the process of allocating ceilings to the Appropriations Committee under section 302(b) of the Act. I would recommend that any policy assumption not implemented by one of these methods be enforced by the other. Only in that way can the Congress assure that it has a clearly understood means to effect assumed policy changes.

The 302(b) Process

There are a number of reasons why the 302(a)(b) process has been less successful than it might have been in implementing the fiscal controls assumed in the First Concurrent Resolution.

(1) Handling Supplementals

The major defect of the 302(b) process is that, as it has operated to date, it does not account very well for the fact that Spring Supplementals are often used for budget authority increases for programs, as well as pay. There is a tendency to use the full authority provided in the 302(b) allocation in the Fall appropriations season. When spending pressure for favored programs subsequently builds in the Spring, it is often easier to amend the ceiling than it is to find offsetting budget authority reductions. The result is the experience of the last three or four years, in which Congress has had to revise the Second Resolution at least once each year to accommodate needed supplementals.

The Committee may wish to consider a two-stage 302(a) allocation process, where the budget authority assumed to be available only in the Spring is in fact "held" until that time, either through separate identification in the 302(a) allocation, or in a process tied to the Second Resolution. One exception would be any assumption (under the Resolution) about "pay absorption." This latter category of Spring action is actually easier to conduct in the Fall, obviating the need for late-in-the-year efforts to find budget authority offsets when none may be available.

(2) House/Senate Differences

Under present practice, House/Senate differences in the 302(a) (b) allocation process make implementation of the Resolution assumptions difficult in two ways.

(a) Variant 302(b)'s

The most obvious problem is that, unless the House and Senate Appropriations Committees produce identical 302(b) allocations, there will always be some appropriations bills that exceed the allocation of one House while falling within the allocation of the other. In such an environment, judging an appropriations bill on the grounds of its consistency or inconsistency with the Resolution -- the standard the Administration has sought this year -- is probably impossible. Moreover, by effectively blocking enrollment of any bill unless it meets the lower of the House and Senate standards, the effect is to provide less budget authority to the Appropriations Committees than intended by the Resolution.

If enforced, this result would produce pressure for a hybrid "higher of" standard, which of course would result in excessive budget authority allocations. If not enforced, on the other hand, the 302(b) allocation process is seriously weakened.

For these reasons, I believe the Committee should consider mechanisms for encouraging the Appropriations Committees of the House and Senate to adopt common standards. The Committee may wish to consider methods that would provide for joint House/Senate consideration of the 302(b) ceilings as part of the process of establishing 302(b) allocations. While House and Senate priorities will inevitably differ, there may be some mechanism through which these differences could be reconciled.

(b) Variant 302(a)'s

A related, though perhaps more easily remedied problem, is the fact that the 302(a) allocations provided by the House Budget Committee to the House Appropriations Committee often differ from the 302(a) allocations you provide to the Senate Appropriations Committee. Such differences generate House/Senate discrepancies automatically and spell trouble for rational consideration of Appropriations Conference Reports. I would strongly urge you to work with your colleagues on the House side to establish a common methodology for translating the First Resolution into a joint Senate/House 302(a) allocation. If we at the Office of Management & Budget may be of assistance to you in developing such a common methodology, I hope you will call on us.

(3) 302(a) Assumptions That Can't Be Enforced by the Appropriations Committees.

As a general matter, I believe it is important for us to understand the limitations of the 302(b) process and to attempt to implement through that method only those policy changes that the Appropriations Committees can actually make within their respective jurisdictions.

As an example of the problem raised if this rule is not followed, consider the Resolution assumption for a two percent Federal employment reduction. The 302(a) allocations provided by the Budget Committees to the Appropriations Committees carried an "assumption" -- in the form of a "negative allowance" -- that this policy reduction would be implemented. Yet the Resolution made no other provision for implementing this change, and as a practical matter the Appropriations Committees would find such a policy difficult if not impossible to implement, except in a piecemeal fashion. The result is that the $800 million in FY 1983 savings assumed through this action will almost certainly be lost.

Similarly, the 302(a) allocation assumed a $700 million reduction in the "freeze base" due to FY 1982 pay absorption. Yet the FY 1982 levels provided to the Appropriations Committees did not call for these offsets. As a result, the horse is now out of the barn, as there is no practical way for the Appropriations Committees to reduce FY 1982 budget authority in any manner consistent with the Resolution's policy intent. Hence, these FY 1983 savings will almost certainly be lost.

(4) Focus on Discretionary Spending

For all these reasons, I would urge the Committee to consider methods to transform the 302(a)/(b) allocation process so that it concentrates exclusively on that area of spending that the Appropriations Committees can control -- truly discretionary spending.

You may wish to consider ways of distinguishing those programs in which discretionary action by the Appropriations Committees affects current year program levels -- and hence current year outlays. While there are historical discrepancies between the House and Senate Budget Committees over program classifications, I do not believe that these differences need hamper working out a common set of definitions solely for the purpose of Resolution implementation and scorekeeping. We would welcome the opportunity to work with both the Committees, if you believe it desirable, to arrive at a common set of definitions for this purpose that the Administration would then accept for scorekeeping purposes. I hope you will call on us if we may be of help in this regard.

Enhancing the Reconciliation Process

If in fact the 302(a)/(b) process is limited to that which it can reasonably accomplish, it then follows that all other policy assumptions should be reconciled to the appropriate authorizing Committees.

This practice has generally been followed in the "entitlements" area, though I must note that the Resolution failed to reconcile all of the assumed entitlement savings this year. In other areas, however, reconciliation has rarely been used. A precedent was established this year for reconciling user fees to the Banking and Veterans' Affairs Committees. I believe it would be an important step forward to reconcile all user fee assumptions carried in the Resolution to the appropriate authorizing Committees.

A less well understood area where Reconciliation would be appropriate is in the whole notion of "management savings." For example, this year's Resolution calls for the Executive Branch to raise $1.3 billion through the sale of real property and the disposal of other assets. Despite our best efforts, however, there are a number of statutory impediments to implementation of this program at the levels assumed by the Resolution. Had Reconciliation instructions been included to provide for statutory changes needed to make the assumed level of sales feasible, the assumed targets in this area would be more easily achieved. As it now stands, as previously indicated, we expect to realize budget savings of less than 25% of the Resolution assumptions, absent statutory changes.

Implications of Tighter Implementation Procedures

I am aware, Mr. Chairman, that rendering these policy assumptions enforceable may make it more difficult to obtain the consensus necessary to fashion a Budget Resolution. Yet given the magnitude of the task before us, I believe it important that we retain credibility before the American public. From the standpoint of the taxpayers and the financial markets, 100% of $60 billion in real policy action is clearly superior to 40% of $100 billion in asserted "savings."

We cannot wait for the Second Budget Resolution to try to reconcile budget targets with actual spending levels. It occurs too late to implement most changes with significant budgetary impact, particularly in the direct spending area. The regular appropriations and authorization process has already occurred by this time. Only by translating all First Resolution policy assumptions into concrete action through the Reconciliation process can we hope to develop budget resolutions that are credible instruments of Congressional will.

Credit Activities

In the area of credit activity, the Administration has already testified in support of efforts to establish credit ceilings in the Budget Resolution and limit new loan obligations and new guarantee commitments through the appropriations process. These measures would clearly provide Congress a means to establish fiscal priorities in the credit area. However, some of the implementation issues raised earlier in our discussions today are also relevant to credit activities.

Your Committee may want to consider allowing a point of order to be made on the floor when a subcommittee's credit allocation or suballocations would be exceeded by a particular piece of legislation. Generally, any implementation mechanism adopted with regard to committee or subcommittee allocations should be reviewed for its applicability to credit activities.

REFORMS REQUIRED TO IMPLEMENT A STATUTORY BALANCED BUDGET

The Committee has asked that I comment explicitly on S. 2921, the Balanced Budget Enforcement Act of 1982, introduced recently by Senator Chiles. His amendments to the Budget Act are designed to implement the goals of a Constitutional amendment to balance the budget. Specifically, the First Budget Resolution would be required to show a balance of outlays and revenues, except in a recession, when the requirement could be waived by a majority vote. For any year for which outlays would exceed current law revenues, a deficit reduction instruction -- analagous to the current reconciliation instruction -- of sufficient magnitude to eliminate the deficit would be required with the First Budget Resolution. Unanticipated deficits not paid back by a mid-year deficit reduction bill would be financed by a temporary tax surcharge the following year. Deficits incurred during a recession when the waiver provision is invoked would trigger a requirement for a "payback" surplus in subsequent budget resolutions.

As I have previously testified before the Congress, I am skeptical about the capacity of simple statutory changes to provide the sort of fundamental discipline needed to bring the budget into balance. Indeed, it is a premise of the drive to adopt a Constitutional amendment to balance the budget that, absent Constitutional limitations, statutory limitations are incapable under current circumstances of substantially reducing deficits. To the extent that this is true, the Chiles amendments provide no disciplines not already present. But clearly, if Congress would adhere to the framework suggested by S. 2921, it would be a highly significant step towards a return of fiscal responsibility.

If the Chiles bill were enacted, an additional limitation on tax increases to increases in national income would be essential to ensure that the Deficit Reduction Bill did not balance the budget on the backs of the taxpayer. The Chiles proposal to limit revenues to the current percent of GNP is inadequate in this regard. S. 2921 also provides for a temporary tax surcharge in the year following one in which unanticipated deficits occur. Given the difficulty of forecasting budget aggregates and the limited usefulness of reconcilation late in the fiscal year, a string of temporary tax increases might be the practical result of this provision. It would be important to eliminate any such tax bias from the Chiles proposal.

Biennial Budgeting

One of the competing approaches to Budget Act reform that has gathered considerable interest and deserves mention is biennial budgeting. Most of the biennial budgeting bills are based on the idea of simply stretching out the existing budget process with authorizing legislation considered in the first session of Congress and budget and appropriations matters in the second session. Congress would have more time to consider authorizing legislation. However, all the problems with lack of implementation mechanisms early in the annual budget process that I mentioned earlier would be aggrevated by a two-year budget process. This would truly be trying to control the horses after the barnyard door has been left open....left open in this case for eighteen months to two years.

The Roth biennial budgeting bill, S. 2629, on the other hand, puts the budget and appropriations process in the first year and the authorization process in the second year. This would at least give Congress a means to establish fiscal priorities at the beginning of the budget process. Yet S.2629 is silent on the question of how Congress would be expected to revise its budget totals to reflect changing economic developments. Given the hazards of forecasting, it seems that an annual update in budget totals would be needed minimally, in which case biennial budgeting would not seem that different from the current system. The greatest difference would be the provision for two-year appropriations and authorizations. These proposals, of course, could be implemented without shifting to a complete biennial budgeting process.

Capital Budgeting

Over the past few months, considerable interest has been expressed in the notion of developing a Federal "capital budget." Noting the significant amount of current year obligations made to finance projects and activities with many years of useful life, proponents argue that the costs associated with such projects should be depreciated over the useful life of the investment, rather than treated as an annual expenditure during the year of obligation. This treatment, it is argued, would more closely parallel the treatment of capital expenditures by the private sector and by state and local governments.

The Private Sector Analogy

While capital budgeting may well make sense under certain carefully defined circumstances, I believe we should proceed with caution before converting any significant portion of the current Federal budget into a separate capital account.

In the private sector, depreciation treatment of capital expenditures makes sound economic sense. Since investments are made with the hope of future profit, it is correct to associate the costs of consuming capital with the revenues generated through capital consumption. If this treatment were not followed, a distorted picture of future profits would emerge. Profits would be understated in years in which capital investments were made, and overstated in those years when no investments were made but during which revenues were generated through the use of previously purchased capital goods.

It is important to note that the Federal government suffers no simlar distortions from current accounting methods, because we do not recognize "profit and loss" from Federal operations. Hence, depreciation treatment of capital expenditures alone would add nothing to our perception of government's "bottom line."

A second and related problem with drawing on private sector treatment as a justification for a capital budget is that the Federal government often makes investments in pursuit of unquantifiable future benefits for the public at large. Unlike the private sector, where a common denominator measure of performance is available in the form of revenues denominated in dollars and cents, it is probably impossible -- and in many instances, highly undesirable -- to quantify the benefits of Federal capital investments in a way that would closely match the normal notion of "depreciation." For example, the national defense has no "fair market value." Even if we knew more closely the dollar-denominated stream of costs associated with prior capital investments in weapons systems and other defense capital, it is not clear how this would help make more rational decisions about defense investments.

Judging Public Investments

The method now used to make decisions about public investments is probably a reasonable guide. In many public projects, we determine a cost-benefit analysis based on discounted present values. This method is hardly perfect in either theory or application -- nor is it applied as widely as perhaps it should be. Yet if used well it provides a rational means for making decisions about public investments. It is hard to tell how adding in depreciation treatment of investment costs would add any new knowledge.

The Appropriate Policy Control Perspective

The key question to be asked about _any_ accounting system is whether it provides the sort of information needed to _control_ the entity in question. Businesses use their existing accounting systems as a means of discerning information that will help them achieve their ultimate goal of _maximizing income and wealth_. Hence, their accounting systems are designed to hone in on fine distinctions about how capital investments affect both their balance sheets and income statements.

Since Adam Smith opined on the _Wealth of Nations_, however, no serious commentator I have read or heard has asserted that maximizing the income or wealth of government is desirable -- or even healthy.

Quite the contrary: I believe that all Senators on both sides of the aisle would agree that a major concern of Federal fiscal policy is the impact of that policy on the wealth and income of the Nation's citizens. In that regard, the current level of Federal borrowing is a far more direct measure of that impact, in the current environment, than perhaps any other governmentally-driven variable. From this perspective, bond issues floated to cover particular public sector projects have no different impact on capital markets than do bond issues floated to cover current operating expenses. As we approach the question of capital budgeting, I hope the Committee will keep this factor in mind. For if in haste to adopt capital depreciation principles we adopt accounting methods that obscure the total level of Federal cash flow deficits, we will undoubtedly do a net disservice to the Nation's economy.

The Administration is studying the question of better reflecting the effects of capital expenditures in the budget process. It is clear that new information on this subject could be generated, and presented along side the annual budget submission. The advantages of such methods must be evaluated, however, in light of a number of potential disadvantages that would arise were the notion of a capital budget to represent a departure from the present cash accounting methods of the unified budget. Specifically:

If a capital budget meant splitting out capital expenditures from the budget altogether, and handling them separately:

--It would become more difficult to evaluate program priorities. There may be programmatic alternatives to capital expenditures; alternately, new capital expenditures might be a preferred solution to continuing present leasing arrangements or grant-making procedures. It would be difficult to establish such trade-offs unless the overall budget for a given program is considered as a unified whole.

--It could create a strong bias toward expansion of capital spending, regardless of need. If "capital expenditures" were financed by "long term financing" while "operating expenditures" were financed by taxes and deficit spending, there would be strong pressure to make the definition of "capital expenditure" as expansive as possible. If outlays for "investments in human capital" could be depreciated over a long period of time rather than considered as annual expenses, new programs would press to be created on the grounds that spending only cost 5 cents to 10 cents on the dollar.

If, on the other hand, a capital budget simply meant depreciation treatment for certain expenditures within the unified budget:

--Such treatment would be an accounting anomoly. In the private sector, the "income statement/balance sheet" method of accounting embraces accrual accounting and reserves against unfunded liabilities as well as depreciation of capital investments. Selecting out only depreciation as an expensing method would provide a severely distorted picture of the financial condition of the Federal government.

I would encourage the Committee to keep these problems in mind in evaluating proposals in this area.

No Compelling Reasons for Major Departures

In all, Mr. Chairman, I would recommend serious study before we attempt major departures from the present logic or methods of the Budget Act. We are learning rapidly under the present system, and are finding the sort of procedural improvements needed to make it work well without substantial statutory change. I hope the Committee will consider the recommendations I have made along these lines.

STATEMENT OF HON. DELBERT LATTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

MR. CHAIRMAN. I am pleased to offer to your Committee my views on possibilites for reform of the budget process. Whatever modifications of the process may eventually occur will have to receive a consensus from both Houses of Congress. I commend the Committee therefore for seeking the advice from Members of the House of Representatives.

By and large, the Budget Act has worked well since its inception in 1974. Despite the problem of runaway deficits the last two years, the process has proved flexible enough to accommodate myriad interests, while making substantial progress in controlling federal spending.

As this committee is well aware, federal spending grew by an average 14% per year the last 3 years. In 1983 we expect that to decline to a 6% growth rate. That is real progress! Any process that could survive the recession and political tensions of the last two years is basically a sound system.

If any changes are warranted in the Act, the current session of Congress, with the economic and political pressures that Members face, is probably not the best time to make reasoned judgments. Changes in the process should be focussed in two areas: making the budget process more effective in controlling spending, and making it less disruptive of the legislative process as a whole.

Moreover, I would point out that changes in the budget process should not be confused with attempts to mandate balanced budgets. The budget process is simply a tool we should use to implement the policies we have selected. Suggestions to amend the Budget Act to require balanced budgets confuses the issues of having a more effective process with that of the desireability of a balanced budget.

Proposed Changes

One Binding Budget Resolution

Experience has shown that the first resolution has for all practical purposes becomes a binding resolution. The amount of time and effort devoted to developing one resolution makes a second resolution undesireable and unnecessary. Making the first resolution binding--with reconciliation--and allowing for optional revised resolutions (as we currently do) would be a desireable change. This does not address the issue of the timetable to follow in enacting a budget resolution. It is conceivable one would want to adjust the timetable if only one resolution were required each year. I have no recommendation on that.

Two Year Budget Cycle

Proposals to adopt a two-year budget and appropriations cycle have been advanced in an attempt to offer Congress more reasoned decision making and oversight capabilities. The goal is desireable, but the method is probably not. Congress needs the flexibility associated with yearly decision-making, particularly because changes in the economy can so rapidly and drastically affect the decisions we do make. Enforcing the current timetable is preferable to extending it.

Enforcement

This year, the significance of the section 302 allocation process has become apparent to all. Congress has discovered that the functional levels enacted in the First Budget Resolution--after months of negotiations--are not in any sense binding. Tradeoffs between the various functions in the budet, developed ater a prolonged negotiation between both parties in each House of Congress, can disintegrate during internal negotiations within the Appropriations Committee. By reallocating the total sums available to them, as the Committee has the authority to do, Appropriations can shift massive funds from one function to another. The Appropriations bills are then technically "within the budget" as defined by the Appropriations Committee, though they may be many billions over the agreed targets in specific areas. The Congress should seriously consider the wisdom of the current allocation process, and consider changes which would more accurately represent and implement the will of the Congress. Making functional ceilings binding and subject to a point of order would be one way to achieve this.

Reconciliation - Budget Committee Role

Currently, no express authority exists for enforcement of reconciliation. If committees do not reach the targets set in their reconciliation instructions, the Budget Committee can do little more than request the aid of the Rules Committee in making amendments in order on the floor. This year, in 1982, this deficiency in the process became apparent as 5 of the 9 House committees instructed in Reconciliation failed to meet their targets. If it were not for the actions of the conferees, the savings targets for these committees might hardly have been achieved. If we would have reconciliation in order to achieve the policies outlined in the resolution, the Budget Committees should be charged with seeing that those instructions are complied with. They should have the tools necessary to do so. Specifically, the Budget Committees should have express authority to amend or substitute--prior to floor consideration--for any portion of the reconciliation bill not in compliance with the instructions. If a committee does not report a bill, the Budget Committee should have explicit authority to do so.

STATEMENT OF JAMES R. JONES, CHAIRMAN
OF THE
HOUSE BUDGET COMMITTEE
BEFORE THE
SENATE BUDGET COMMITTEE

Mr. Chairman, Members of the Committee, I want to thank you for allowing me to testify before you to discuss possible improvements in the Congressional Budget Act. During my tenure as Chairman of the House Budget Committee, I have seen the budget process put to the test in effectuating policy decisions during some rather difficult economic times for this country. As an insider looking at the budget process, I believe the process works. It allows Congress to set priorities and subsequently gives us the tools necessary to enforce those decisions.

Today, however, we find the congressional budget process to be the focal point for a series of attacks by many inside Congress who see the process as little more than an obstacle to the orderly conduct of congressional business. The basis for most of the dissent has been the problems associated with implementation of unrealistic budget resolutions, the product of political gimmickry. The conflicts have been practical as authorizing and appropriations committees have had to come to terms with spending priority decisions made in advance by a majority vote of Congress on concurrent resolutions on the budget which in many cases have been based on unrealistic economic and other assumptions. At least this abuse of the budget process was not instigated or sanctioned by the House Budget Committee, the committee resolutions have been amended on the floor -- we have had to live with the consequences.

The budget process has been a useful tool in affording Congress the power to set national spending priorities. It has, moreover, proved its effectiveness as an enforcement tool once Congress has established those priorities. Unfortunately, it has been that enforcement quality which has been the sticking point as committees of Congress have been faced with the policy implications of considerable budgetary restraint coupled with unrealistic budget assumptions.

Particularly during the 97th Congress, we have seen a retrenchment in many government programs. These policy decisions have been reflected in concurrent resolutions on the budget and have been implemented through provisions in the Congressional Budget Act. The budget plans adopted in the 97th Congress envisioned major cutbacks and revisions in many government programs.

The budget resolutions dictated, to the respective committees of each house, orders to implement unpopular spending and revenue decisions. As a consequence, members of authorizing, tax-writing and appropriations committees alike were faced with most difficult legislative choices.

The Problems of Delayed Appropriations

One of the common criticisms levelled against the budget process is that it has undercut the normal legislative processes of Congress; that it has gummed up the works. Some members of the Appropriations Committee believe that the Budget Act is the reason why Congress has had so much difficulty acting, pointing to the ever-decreasing number of appropriations bills passed before the beginning of the new fiscal year. Is the budget process to be blamed as the impediment to legislative progress?

Defenders of the Budget Act rebut the critics by citing the factual evidence that, even when Congress adopted a first concurrent resolution on the budget in a timely manner, many appropriations measures were not enacted into law prior to the beginning of the fiscal year.

I am including, as part of my testimony, two charts depicting the historic inability of Congress to pass funding bills prior to the beginning of the new fiscal year. The first chart of three tables was offered in connection with testimony by Rep. Aspin during hearings on the budget process by a House Rules Committee Task Force. It shows a decline in the number of appropriations bills adopted prior to the start of the fiscal year without regard to the date of passage of the first concurrent resolution on the budget. I might note that late passage of budget resolutions has not been solely the result of congressional inaction or in-house bickering. Formulation of budget plans for each of fiscal years 1981, 1982, and 1983 was marked by increased consultation and negotiation with the executive branch. Consideration of Federal budgets for fiscal years 1982 and 1983 was marked by protracted negotiations between Congress and the White House. The failure of the executive branch to propound realistic budgets has made the duties of Congress under the Budget Act all the more difficult and has caused delay.

The second chart, prepared by the General Accounting Office, examines the late enactment of appropriations bills over a twenty-year period. Interestingly enough, the GAO report cites marked improvement in the late appropriations situation following enactment of the Congressional Budget Act of 1974. The defenders of the budget process would cite this empirical evidence as conclusive proof that the budget process is not to blame for the slowdown in moving appropriations bills to the President's desk.

I, on the other hand, contend that the budget process is to be blamed as an impediment to the legislative progress--indirectly. For it is the budget process which has allowed Congress to set national policy and has forced Congress to follow through on its own commitment. The lengthy debate during consideration of the budget resolution is proved meaningful only by the implementation of budget policy in actions by authorizing and appropriations committees--a process that is understandably delayed in the context of budgetary restraint, an uncertain economy, and widespread confusion of budget figures.

How, then, do we respond to the problems of the critics? How are we, as Congress, to assure the timely consideration and enactment of funding legislation for the operations of government and avoid government by continuing resolution?

Multi-Year Authorizations

One proposal to improve the system has been to allow appropriations bills, supported by enacted authorizations, to move forward without a budget resolution in place. I feel such a solution would defeat the need for a congressional budget. Permitting revenue and spending bills to go forward prior to adoption of a concurrent resolution on the budget would subvert the usefulness of the resolution. Such a proposal would eliminate the impetus for adoption of a congressional budget. As a consequence, Congress could lose the role in budget policy which it regained through passage of the Congressional Budget Act of 1974.

As a less drastic alternative, I propose that Congress get away from its dependency on single-year authorizations. Many authorizations presently addressing only one year can easily be regeared to cover multiple years without any risk to congressional oversight or policy making. In fact, this tack would free up authorizing committees to better fulfill legislative oversight mandates. This approach would remove a potentially major block to action on appropriations bills. Many legislative actions previously a matter of course could be lifted from the weight of the congressional workload.

Balanced Budget Amendment

Perhaps the most dangerous force putting pressure on the whole budget process has been the move to adopt a constitutional amendment mandating a balanced Federal budget. The Senate-passed version of the amendment contains language, economic theories and definitions which are decidedly unworthy of the document which is the basic foundation of our system of law. The seemingly unlimited powers granted to Federal courts and the President could make revolutionary changes in the checks and balances of our Federal system. In practical economic terms, such an amendment would remove any needed flexibility in fiscal policy from the government in dealing with economic fluctuations. Even the most conservative economists argue that there are times when deficit financing is appropriate and when a surplus would be bad for the economy.

No law, no constitutional amendment, no pious speech can substitute for raw courage and intellectual honesty by the individual Members of Congress. That was what was missing again and again during the 97th Congress, when so many gave blind faith to an economic theory whose numbers for balancing the budget simply did not add up. In fact, the economic decisions made in this Congress and projected over the 1981-1985 period created $693 billion of new Federal debt, 41 percent of the entire Federal debt created in this history of the country. I can only think that the constitutional amendment is an attempt to atone for those fiscal sins of the past two years. If we are serious about balancing the Federal budget, I urge that we look first to the tools we already have to control spending and taxing.

Experience has taught us that some aspects of the budget process can be refined to better utilize the resources of the Congress and its committees. In fact, the procedures of the Congressional Budget Act serve as an appropriate vehicle for Congress' attempt to balance the Federal budget. Through the rigors of the budget process, we have a mechanism to put our fiscal house in order. It is with this in mind that I introduced H. R. 7123, a bill to amend the Congressional Budget Act of 1974 and to strengthen the budget process.

H.R. 7123: A Statutory Approach to a Balanced Budget

In my bill, the President would first be required to submit a balanced budget to Congress. Subsequently, the Committees on the Budget would be required to report out a balanced budget to their respective houses. In both instances, the President could submit, or the Budget Committee could report, a budget not in balance if a balanced budget was deemed infeasible, presumably by reason of economic necessity or national security. This provision would force all parties involved in the budget making process to submit balanced budgets despite the national economic situation. The discussion from such an exercise would be invaluable and could facilitate multi-year priority setting in the budget process.

Controlled Federal Spending

H. R. 7123 also provides for a reduction in Federal spending as a proportion of gross national product, as a transition to a balanced budget. Beginning with fiscal year 1984, the Committees on the Budget would be required to report budget resolutions in which outlays could not exceed a specified percentage of trend GNP, until fiscal year 1987 when outlays could not exceed 20 percent of trend GNP. To safeguard against unforseen fluctuations in the gross national product, the bill utilizes a yardstick based upon historical trends. The spending limitation would replace lip service with a real sign to the American public that we are serious about limiting the size of the Federal influence in the Nation's economy. It would further serve to dissuade proponents of balanced budgeting from bridging budget shortfalls solely through tax measures.

Super Majority Vote to Breach Ceilings or Floors

Among the most important provisions of my bill which would lend further credibility to the budget process is the requirement of a vote of three-fifths of the members voting to waive the spending ceiling or revenue floor for any bill exceeding those threshold levels in the budget previously adopted. While I have reservations about any "supermajority" provision, I believe that such a provision is much more appropriately applicable at the stage of enforcing budget limits rather than establishing the budget in the first place. This measure would force Congress to stick to its guns once decisions had been made on a budget resolution.

H.R. 7123 also streamlines the budget process by eliminating a mandatory second budget resolution. Making a first budget resolution binding more accurately reflects the realities of the budget process and would free up the congressional schedule in the fall. This past session's experience has shown us that the method is workable although some means for facilitating the incorporation of technical, economic, and other adjustments to the first budget resolution must be found.

Reconciliation in First Budget Resolution

My bill would clarify the suitability of reconciliation as part of the first budget resolution. The past three sessions of Congress have shown the value of reconciliation as a tool to cut the enormous Federal budget deficits wreaking havoc with the Nation's finances. The reconciliation process should provide ample opportunity for all authorizing committees of the Congress to have input into a coordinated effort in deciding on program funding as a way of implementing the budget resolution. Indeed, actual program funding decisions must remain within the province of the authorizing committees. Implementing reconciliation in the first resolution affords Congress and its committees more time to make hard decisions than the timetable sets out in the Budget Act.

Common Economic Assumptions

Above all this, my bill devises a method for arriving at agreement on common economic assumptions between the parties to the budget process. One of the most frustrating aspects of the budget process is the persistent game-playing we endure when it comes to economic assumptions. I like to believe that the House Budget Committee has consistently used only those economic assumptions we believe to be most credible. Others devising budget plans have found difficulty avoiding the temptation to use economic and other assumptions they know to be wildly optimistic. The result has been that the debate over the Federal budget has been clouded by the debate over economic assumptions as the parties attempt to compare apples and oranges. My proposal would have us all looking at the same fruit salad.

Omnibus Budget Bill

I believe other reform proposals deserve comment. H. Res. 602, the "Truth in Budgeting Resolution," introduced in the House by Budget Committee Member David Obey, proposes an omnibus budget package. The package would include all spending and taxing legislation and would include, as the last title of an omnibus budget act, a plan produced by the Budget Committee setting forth overall spending and taxing targets, similar to the current formulation of a budget resolution.

I lend my qualified support to the Obey proposal. The concept is a good one. It addresses the constant criticism that formulating the framework of budget guidelines has become so time consuming that Congress has little time to attend to the other important matters of lawmaking before it. The omnibus budget package would be an up front attempt to put real meaning into what has in the past been a vote for a plan only. Actual spending and taxing decisions would be made alongside overall aggregate budget targets. The package approach would make implementation of a budget plan much more realistic. Spending and tax measures could be amended during a single extended session of Congress to comply with the budget plan encompassed in the final title of the omnibus act.

One reservation I have with the Obey proposal comes in the legislative form it takes. Its present form, as a proposed change in the Rules of the House of Representatives, is a major threat to the need for bicameral cooperation in passing a budget plan and spending and taxing measures. Absent parallel changes in Senate rules, many of the elements of the Budget Act of 1974 which have proven useful and valuable would be rendered moot.

Biennial Budgeting

Another proposal which I view with some skepticism is the call for a biennial budget process. While the advent of multi-year authorizations and appropriations for all Federal spending would provide Congress with the opporutnity for more oversight activity, I question whether the biennial budgeting proposals now before Congress would actually reduce our workload and increase oversight or, rather, would result in little additional oversight and more supplemental appropriations bills and revised budget resolutions. As I mentioned earlier, multi-year authorizations alone may suffice in giving Congress more breathing room for conduction oversight and investigations as an element of evaluating programs for reauthorization, as well as better facilitating the annual appropriations process.

Conclusion

In conclusion, I want to restate and amplify my support for a strong budget process. Since enactment of the Congressional Budget and Impoundment Control Act of 1974, Congress has been able to resume its proper role in shaping national fiscal and economic policy. All members have been afforded the opportunity to take part in setting down the guidelines for the operations of the government through a broad debate on national priorities. The Budget Act has provided a sturdy tool for enforcing those priorities during consideration of authorizations and appropriations by the entire Congress.

Admittedly, Congress has had its problems with formulating budget policy. But clearly, those problems have been more political than procedural under the Budget Act. The technical flaws of the process are not fatal. Most can be remedied by an environment of cooperation by all members with an appreciation for the difficult decisions forced by troubling deficit-ridden Federal budgeting.

TABLE 1. House Consideration of Regular Appropriation Bills

Fiscal Year	Number Reported In House By: July 1	Number Reported In House By: Sept 1	Number Reported In House By: Oct 1	Number Passed House By: July 1	Number Passed House By: Sept 1	Number Passed House By: Oct 1
1977	12	13	13	11	13	13
1978	12	12	13	12	12	13
1979	11	13	13	10	13	13
1980	11	12	13	5	9	12
1981	7	12	13	2	10	12
1982	2	9	12	0	5	10
1983	0	4	---	0	1	---

TABLE 2. Enactment of Regular Appropriation Bills

Fiscal Year	Number Enacted By Start of Fiscal Year	Number Not Enacted For Fiscal Year
1977	13	0
1978	9	1
1979	5	1
1980	3	3
1981	1	5
1982	0	4

TABLE 3. Timing of Section 302 Allocations (Appropriations Committee)

Fiscal Year	Date First Budget Resolution Adopted	Number of Days Between Adoption of First Budget Resolution and: 302(b) Report of the Appropriations Cmte.	Number of Days Between Adoption of First Budget Resolution and: Reporting of First Appropriation Bill
1977	May 13 (1976)	11 (May 24)	26 (June 8)
1978	May 17 (1977)	16 (June 2)	16 (June 2)
1979	May 17 (1978)	14 (May 31)	15 (June 1)
1980	May 24 (1979)	14 (June 7)	14 (June 7)
1981	June 12 (1980)	14 (June 26)	1 (June 13)
1982	May 21 (1981)	21 (June 11)	35 (June 25)
1983	June 23 (1982)	29 (July 22)	48 (Aug. 10)

Excerpt from Testimony before the Task Force on the Budget Process of the House Committee on Rules, September 15, 1982.

Table 1

Late Enactment of Appropriation Bills a/ Over 20 Years (FY 62 - FY 81)

Appropriations b/	Late		Stratification of Late Appropriation Bills				
	Total number	Percent	Less than 1 month	1-3 months	3-6 months	6-9 months	9-12 months
Agriculture and related agencies	18 of 20	90	2	7	9	-	-
Defense	18 of 20	90	1	6	8	3	-
Energy-Water (public works)	16 of 20	80	-	6	9	-	1
Foreign assistance and related programs	19 of 20	95	1	2	7	6	3
HUD and independent agencies d/	18 of 20	90	1	9	8	-	-
Interior and related agencies	15 of 20	75	4	8	3	-	-
Labor, HHS, and related agencies	19 of 20	95	1	5	7	3	3
Legislative branch	17 of 20	85	4	7	5	-	1
Military construction	17 of 20	85	1	7	8	1	-
State, Justice, Commerce, Judiciary and related agencies	17 of 20	85	1	5	11	-	-
Transportation and related agencies	11 of 14 c/	79	1	6	3	-	1
Treasury, Postal, and Executive Office	13 of 20	65	5	7	1	-	-
Government-wide							
Total	198 of 234		22	75	79	13	9
Percent		85	9	32	34	6	4

a/ Late enactment after 6/30 for fiscal years 1962-76 and after 9/30 for subsequent fiscal years.

b/ Appropriations categories based on structure supplied by the Department of Treasury. Excludes the District of Columbia appropriations.

c/ Transportation and related agencies appropriation bill came into existence in FY 68.

d/ HUD funded as an independent agency prior to FY 67.

"Funding Gaps Jeopardize Federal Government Operations", GAO Report, PAD-81-31, March 3, 1981

STATEMENT OF FRANKLIN JONES, FORMER COUNSEL TO THE SENATE BUDGET COMMITTEE

I thank the committee for this opportunity to express my opinions on the budget process based upon my service on the committee staff in the formative period of the Act's implementation and my observation of the process since my return to private practice.

The risks to the process involved in an attempt to amend the Congressional Budget and Impoundment Control Act of 1974 (the Act) at this time render such an attempt unwise. The flexibility of the Act, which has been well demonstrated during, at least, the last two years, renders such an attempt unnecessary. As previous witnesses have indicated, the budget process can be substantially improved without amending the Act.

The budget process has taken its place among the other processes which make our federal government function in its noisy, messy, but ultimately acceptable manner. We frequently forget that our government is so designed as to be inefficient; checks and balances necessarily interfere with straight-line decision-action progression.

IMPROVEMENT IN THE BUDGET PROCESS BASED UPON ACCOMMODATION AND PRECEDENT

Experience demonstrates that Congress will act on the budget in accordance with perceptions of political and legislative reality and in disregard of some provisions of the Act and of some actions of the Budget Committees which are seen as unacceptable under the circumstances. If the will to preserve the budget process continues to exist, the Congress will find ways to make the process work by accommodating reality and establishing precedents which may bend but not break the rules incorporated into the Act.

The strength of the budget process rests in the desire of members of the Senate and the House to preserve values fostered by the process as those values are perceived from time to time and in the ability of the Budget Committees and their staffs to work effectively with other commitees, the CBO and the executive in developing and implementing fiscal policies reasonably appropriate to circumstances as they appear at the times for decision.

Among the values to the balanced accomplishment of which the budget process may be said to be directed are (1) a budget which is balanced over business cycles so as to restrict the growth in federal debt and the resources devoted to the payment of interest on that debt, (2) balance of those interests fostered by the private allocation of resources with those interests fostered by governmental allocation of resources in accordance with priorities acceptable to the country's predominant political, social and economic elements, (3) such interaction with and accommodation to monetary policy as will minimize adverse impacts of government on individual and group economic, social and political activities, (4) provision of domestic and foreign political stability such that peace is preserved without unacceptable restraints on that freedom which makes life meaningful and (5) provision of programs for the relief of the acute distress which results from economic, natural and other catastrophe.

Despite dire early predictions of the prompt demise of the budget process, the leaders and members of Congress have been willing to tolerate the vital "nay saying" role of the budget committees. This tolerance has depended and will continue to depend upon the legislative skill of the members and staffs of the committees involved in the fiscal decision-making of the Congress and not on power granted to the committees by legislation or rules. Means will be found to make the process work so long as its usefulness is understood and the people charged with its implementation accommodate the institutional reality of the Congress.

MODIFYING THE BUDGET TIMETABLE

If the leadership of both houses and the Budget Committees in both houses agree, there would seem to be little reason that the budget process cannot be accelerated. The CBO's current policy budget could be used by Congress as the baseline for discussing issues and receiving testimony on the budget for the next fiscal year with the President's budget, when delivered, received as an additional element in the decision process.

Testimony could begin immediately after Congress convenes in January with focus on needed changes from CBO's current policy budget. This method would seem to have an advantage in fixing the attention of Congress and the country on the existing situation as the basis for judging change rather than on the President's assumed changes as the basis.

Achieving passage of the first Budget resolution by April 1, as suggested by George Gross and others, should be possible if the attention of the Budget Committees is concentrated on functional aggregates and major missions within the functions.

CONSISTENT ECONOMIC ASSUMPTIONS

Recent experience with the impact of inconsistent economic assumptions on the development of fiscal policy should be such, as other witnesses have pointed out, as to make imperative the use of identical economic assumptions for baseline purposes by the executive branch, the Budget Committees and CBO. The development of a mechanism for achieving a consistent set of baseline economic assumptions against which to judge alternative fiscal policy elements should be possible of achievement without legislation. Mr. Penner and others have suggested that nothing should prevent any entity which disagrees with the baseline assumptions from presenting alternative computations of policy consequences using economic assumptions with which the entity is more comfortable, so long as the entity also presented its policy recommendations using the consensus assumptions.

COMMENTS ON SPECIFIC ISSUES

The following are brief comments on the specific issues which the Senate Budget Committee requested be addressed during the hearings. These comments do not modify the previously expressed opinion that attempted amendment of the Act at this time is both unnecessary and unwise.

Enforcement of budget and fiscal decisions.—Since committee and subcommittee allocations lack formal validation by action of the whole Congress and since a point-of-order should be the last resort against a bill which has defied other fiscal restraints, functional totals which have been acted upon by the Congress as a whole should be the basis for point-of-order action. Foreseeable later requirements should, of course, be counted in determining whether an appropriation bill creates budget problems. A way of establishing the later requirements for point-of-order purposes would be a provision in the Budget Act verifying that the current policy budget numbers be used to cost all other requirements within the function impacted by the bill; programs eliminated or increased or reduced in cost from current policy levels by previous action of the house involved would be taken into account.

It is clear that the budget process will not, of itself, provide fiscal discipline; the most the process can do is provide support to politically and legislatively realistic forces seeking budgetary sanity. To attempt to require a later action to be consistent with a previous legislative action by the same body would seem to have some chance of success.

The present reconciliation procedures seem adequate. The rigidity of the present procedures can be made less objectionable by careful informal interaction in the best legislative tradition based upon the recognition that harsh rules, used unwisely, contain the mechanism for their own elimination.

Budget cycle.—An earlier date for the adoption of the first budget resolution and any accompanying reconciliation requirements would be useful as reducing the delay which the budget process is perceived as imposing on the other work of the Congress and as providing more time for hearings on the means of accomplishing required reconciliation actions. Adherence by the President to the Act's present current services and regular budget time requirements seems necessary to the accomplishment of an accelerated budget timetable unless the executive budget is to play "second fiddle" to a fully formed Congressional budget documented without reference to the President's schedule.

As to the second budget resolution, the suggestion of George Gross in testimony before this committee deserves the most careful consideration. No substantial improvement in the fiscal process would result from adoption of a calendar year as the federal fiscal year.

Careful adherence to present multiyear estimate, projection and reconciliation procedures is preferable to a two-year budget and appropriation cycle. The State of New Mexico used and subsequently abandoned a two-year appropriation cycle. The amendments perceived to be necessary in the second year of the cycle tended to focus on limited issues without the balance provided by looking at all revenue and expenditure issues simultaneously. Over time, the issues raised in the second year of the cycle were so numerous that the appropriation originally made for the second year was simply ignored and a complete new appropriation act substituted.

Impoundment control.—Some method will eventually need to be found to increase the power of the President over expenditures. The present system of impoundment control makes the correction of a mistake in the budget and the appropriation process too difficult to cure and places excessive power in the hands of single-interest advocates by requiring that both houses concur in a presidential impoundment decision.

Range of fiscal controls.—Congressional budget resolutions should encompass federal credit revolving funds and off-budget spending with all bills exceeding budget resolution amounts subject to fiscal discipline on the basis that the Congress has previously established ceilings which only it can change in a formal process.

"Tax expenditures" cannot be dealt with in budget resolutions. Only when the Congress has established a policy that the tax system is for the purpose of financing government and should not be used to foster social and economic goals will needed simplification of and control over the tax system be achieved.

Balanced budget constitutional amendment.—The issue of implementing a balanced budget constitutional amendment is moot and hopefully will remain so. No rule is likely to cause the Congress to behave in a fiscally responsible manner absent the will to so behave any more than a budget process will, of itself, maintain fiscal sanity.

STATEMENT OF THE NATIONAL LEAGUE OF CITIES

The Honorable Pete V. Domenici
Chairman, Committee on the Budget
United States Senate
203 Carroll Arms Hotel
301 First Street, N.E.
Washington, DC 20510

Dear Senator Domenici:

This is in reply to your letter requesting the views of the National League of Cities on possible improvements in the congressional budget process. We appreciate the opportunity to submit this statement.

Generally, we believe there is much to be said for the new budget process, now in its eighth year of implementation. It provides a relatively orderly system under which Congress sets revenue and spending targets, monitors compliance with its targets, and establishes a binding revenue floor and spending ceiling. There is little doubt that the process provides the Congress with all of the tools it needs to make rational fiscal policy.

At the same time, we believe that change is needed, for several reasons. The process now dominates the congressional calendar to too great an extent, delaying inordinately the work of Congress's other committees, both in budget and non-budget matters. In addition, partly under the pressures of the budget timetable, the problem of continuing funding resolutions is getting worse, aggravating the uncertainties of those who rely on federal aid. Finally, inadequate attention is paid to the rapid growth of tax expenditures, an important source of budget deficits.

NLC believes that the budget process would be significantly improved if these problems were addressed directly and forcefully. We recommend the following for your consideration.

First, the first budget resolution should be adopted substantially earlier than at present (by May 15, or, in most years, a week or two later). If it were adopted by April 1, for example, action on appropriations and reconciliation bills governed by the resolution could be initiated nearly two months earlier. As a result, substantially more time would be available for Congress and its

Past Presidents: **Tom Bradley**, Mayor, Los Angeles, California • **Henry W. Maier**, Mayor, Milwaukee, Wisconsin • **Tom Moody**, Mayor, Columbus, Ohio • **Jessie M. Rattley**, Councilwoman, Newport News, Virginia • **John P. Rousakis**, Mayor, Savannah, Georgia • ***Directors:*** **Richard Arrington, Jr.**, Mayor, Birmingham, Alabama • **Carol Bellamy**, Council President, New York, New York • **Arne Boyum**, Executive Director, North Dakota League of Cities • **Richard S. Caliguiri**, Mayor, Pittsburgh, Pennsylvania • **Malcolm Clark**, Council Member, Port Arthur, Texas • **Joanne Collins**, Council Member, Kansas City, Missouri • **Thomas H. Cooke, Jr.**, Mayor, East Orange, New Jersey • **David Cunningham**, Council Member, Los Angeles, California • **W. Elmer George**, Executive Director, Georgia Municipal Association • **Karen M. Graves**, Commissioner, Salina, Kansas • **Anne Gresham**, Council Member, Grand Prairie, Texas • **Paul E. Haney**, Council Member, Rochester, New York • **Jonathan B. Howes**, Mayor Pro Tem, Chapel Hill, North Carolina • **George M. Israel, III**, Mayor, Macon, Georgia • **Myra Jones**, Vice Mayor, Little Rock, Arkansas • **Christopher G. Lockwood**, Executive Director, Maine Municipal Association • **Bob Martinez**, Mayor, Tampa, Florida • **Robert H. Miller**, Executive Director, South Dakota Municipal League • **Jack Nelson**, Mayor, Beaverton, Oregon • **Mary Neuhauser**, Council Member, Iowa City, Iowa • **C. David Nuesson**, Mayor, Quincy, Illinois • **Hernan Padilla**, Mayor, San Juan, Puerto Rico • **Donald R. Peoples**, Chief Executive, Butte, Montana • **Martin L. Petersen**, Executive Director, Association of Idaho Cities • **Michael J. Quinn**, Executive Director, Indiana Association of Cities and Towns • **Vernon H. Ricks, Jr.**, Mayor Pro Tem, Takoma Park, Maryland • **Arthur E. Trujillo**, Mayor, Santa Fe, New Mexico • **George V. Voinovich**, Mayor, Cleveland, Ohio • **Daniel K. Whitehurst**, Mayor, Fresno, California • **Don A. Zimmerman**, Executive Director, Arkansas Municipal League

committees to fashion the necessary details of tax and spending legislation. Under existing procedures, more time is devoted to framing broad budget targets and less to the key details. This single change--moving the first resolution adoption date back to April 1--would do more to streamline the budget process than any other.

Second, the additional time that would be available as a result of earlier adoption of the first budget resolution would reduce the need for continuing resolutions. We believe that this problem is so important, however, that the Budget Committee should consider additional changes.

One such change might be to require all appropriations to be considered and adopted in each House during a designated period--for example, in June in the House, in July in the Senate. This would help to assure final conference action on appropriations bills by Labor Day, a month before the start of the fiscal year.

A second possible change would be the enactment of general legislation automatically providing for spending at current levels whenever an appropriations bill is not enacted by the start of the fiscal year. This would be a far-reaching step and should be taken only after thorough consideration. The problem of continuing resolutions is sufficiently serious, however, that this kind of forceful action may well be necessary.

An end to continuing resolutions is particularly important to local governments. Relying as they do on federal aid to help finance a wide range of programs and activities--like community development, public transit, employment training, housing, and clean water--localities need a much greater degree of certainty about such funding to develop their own budgets. As it is, they now spend much of each year focusing on funding bills proposed by the President and the Congress, making their own budget plans on the basis of these proposals, only to have their plans nullified by the adoption of continuing resolutions.

Greater continuity in the appropriations process would produce more efficiency and higher quality program performance on the part of local governments and other recipients of federal aid. In this respect, we also urge the Committee to consider some form of forward funding for many grant programs, a recommendation made recently by the General Accounting Office. Forward funding for certain programs should be a logical next step as Congress moves increasingly toward multi-year budget decisions.

And third, Congressional action to control the growth of tax expenditures is long overdue. The cost of existing tax expenditures, together with that of new ones enacted by the Congress each year, is a prime contributor to rising budget deficits. When federal resources are so scarce, Congress should scrutinize spending through the tax system just as carefully as it does direct spending.

We recognize the technical difficulties involved in defining certain tax expenditures and in controlling the total of such expenditures. It would be worthwhile, however, merely to control the enactment of new tax expenditures by the Congress each year. We recommend that the first budget resolution specify a target for new tax expenditures that may be approved, just as it now specifies spending targets. This change would help to focus congressional attention on a long-neglected source of federal spending.

Finally, we would urge the Committee to avoid making major changes in the budget process. Congress has had a difficult time modifying its long-standing procedures to accommodate the new discipline and work schedule mandated by the Budget Act of 1974. Major changes at this time would increase the frustration of many in Congress over what appear to be continual changes in procedures, often at the expense of non-budget legislative responsibilities. Fine-tuning, not overhaul, is what the congressional budget process needs today.

Sincerely,

Ferd L. Harrison

Ferd Harrison, President
Mayor of Scotland Neck

Statement of

Stanley E. Collender

Publisher

Federal Budget Report

for the

Committee on the Budget

United States Senate

October 15, 1982

The views expressed in this testimony are those of the author. They do not necessarily represent the views of Federal Budget Report.

Mr. Chairman, I am grateful for the opportunity to present to this committee my views on the changes that are needed in the congressional budget process. As the publisher of Federal Budget Report, the only newsletter that deals exclusively with the federal budget and congressional budget process, I am in the unique position of having to observe and monitor Congress's actions on the budget without having any stake in the outcome. My interest is not related to any policy or program. But, because in the past I have been involved with the process from the inside as a member of the staffs of both the House and Senate Budget Committees, and because I currently am a budget practitioner, my interest is not merely academic either. I care most about how Congress formulates the budget, not necessarily what is in it.

I am not presenting this testimony because I believe that the budget process is failing. Quite to the contrary, it is my strong belief that the budget process is working extraordinarily well. That is not to say that it is working perfectly or that it does not need some modifications. But after following it for almost a decade, the only logical conclusion is that the budget process is necessary and definitely deserves to be continued.

It is important to remember that the budget process was not designed to guarantee a balanced budget every year or in any year. Neither was it intended to facilitate a change in federal spending or taxing priorities. The failure of the process to reach either and sometimes both of these objectives often is cited by its critics as a major reason why it should be changed or abandoned. But to use these goals as the criteria to judge whether the budget process is working well is to assign to it objectives which it was never intended to meet.

The main aims of the budget process are: to provide a framework within which all congressional spending and taxing decisions are made, to create accountability for those decisions, and to force all actions to be made in a timely manner. Admittedly, the process is failing to get the various authorizations and appropriations passed by the start of the fiscal year. As they were before the process was implemented, continuing appropriations resolutions again are commonplace.

But the process is working spectacularly well as far as accountability is concerned. Virtually every budget decision made by Congress is open and on record. Members of both the House and Senate now must take whatever political heat results from their budget votes. Whether it is support or opposition for a large deficit or for large cuts or increases in the military budget, constitutents can determine easily what their representatives and senators actually are doing.

This past year's stalemate between Congress and the President over the fiscal 1983 budget occured because few members wanted to go on record in favor of the enormous deficit or for the tax increases and spending cuts that would have been necessary to lower it to a politically popular level. Had the budget process not been in place, the same situation would have existed but there would have been no pressure on Congress to do anything about it. The best proof of this was that many representatives and senators at the time were suggesting that one possible way out of the stalemate was to suspend the budget process temporarily and return to the old system. This would not have required a specific vote on the deficit and Congress would have been free to vote for each spending bill without worrying about its overall impact. In other words, the existence of the budget process prevented what otherwise would have been a highly irresponsible series of federal spending actions that would have wreaked havoc with the economy. That is precisely what the process was created to do.

Six Problems

But this success cannot mask the fact that the budget process is failing in several ways. There are six problems. None are fatal flaws and major changes are not required. They all can be corrected with some fine tuning.

Problem 1: Not Enough Time

Clearly Congress does not have enough time to do all of the work it now has to do each year on the budget, authorizations, and appropriations. Although the budget process originally provided three additional months for these activities by changing the start of the federal fiscal year from July 1 to October 1, it also imposed additional legislative requirements (principally the first and second budget resolutions) and apparently did not take congressional recesses (for the Lincoln-Washington birthdays, Easter, and August-Labor Day) into account. Therefore, the committees now have less rather than more time to do their work and the result is fewer bills completed on time, creative legislating to comply with deadlines, and decreased attention to details.

Problem 2: Missed Deadlines

Related to the first problem is the increasing tendency of Congress to miss the deadlines of the budget process. In small part this is the result of deadlines that are too restrictive for the many budget decisions that must be made each year. But to a larger extent, the delays result from events outside the budget process that can be overcome with some determination. In 1980, for example, Congress decided to wait until after the November elections to vote on the second budget resolution. In 1981, Congress waited for the Reagan administration to submit its budget before beginning its deliberations. When the details of the Reagan changes were not submitted until April, the process was almost three months behind schedule before it began. In 1982, Congress did not convene until late January and the President's budget was not formally proposed until early February. The lengthy stalemate between the administration and Congress further delayed all budget activities. The process was not at fault in any of these instances. Congress had the ability to move ahead if it had wanted to do so.

Problem 3: Different Economic And Spending Assumptions

The single largest threat to the budget process's objective of accountability is the use of different economic assumptions by the four major participants in the budget debate--the President, the House and Senate Budget Committees, and the Congressional Budget Office (CBO). By altering the projections of inflation, unemployment, growth in the gross national product, and the other major economic indicators, as well as the rate of spending for programs, a particular budget proposal can be made to look better than another even though the opposite is true if both proposals use the same assumptions. As ironic by-product of the implementation of the budget process is that the budget sophistication of representatives and senators has increased significantly to the point where these types of manipulations now are frequent. However, they still are understood poorly by the public and press and seriously obscure the overall budget debate.

Problem 4: Off-Budget And Nonbudget Spending

For political reasons, the Congressional Budget Act specifically excludes federal credit programs and tax expenditures from the budget process. In the last two years Congress has taken major steps to include limits on loans and loan guarantees in the budget resolutions, but these actions have been informal and have received little attention compared to direct spending. Tax expenditures are not included in the budget at all. As federal spending comes under increasing scrutiny in the next few years, both credit programs and tax expenditures will become increasingly important ways for the government to accomplish its objectives. Their continued exclusion from the budget process poses a major threat to Congress's ability to control and guide the economy.

An even more direct threat is the agencies which are not simply excluded from the budget process but also are excluded from the budget. The most apt definition of these "Off-budget Federal Entities" is contained in *The United States Budget In Brief, Fiscal Year 1983*, which calls them "federal organizations or programs that belong in the budget under current accounting concepts but that have been excluded from the budget totals under provisions of law." In almost every case the exclusion of an agency or program has been for political reasons. Because they are not included in the budget, their level of spending has no apparent impact on the defict and they receive comparatively little annual congressional scrutiny. In fiscal 1982 the total outlays for all off-budget agencies and programs is expected to reach almost $20 billion.

Problem 5: Easy Waivers

As time constraints become more severe, and as spending decisions become increasingly difficult, Congress often attempts to circumvent the budget process by temporarily suspending or waiving those parts of the Budget Act that prevent it from taking the easy way out. Every provision of the budget process can be avoided in this way. In the House, the waiver usually is included as part of the rule governing debate on the bill in question. Most rules pass by voice vote, with little debate and little understanding by the members. In the Senate, a waiver is granted by unanimous consent, an almost routine motion in most cases. Because of the relative ease with which waivers are obtained, they have become an attractive alternative to following the budget process's established procedures, particularly when Congress feels the need to act expediently.

Problem 6: Three-Term Limit In The House

Members of the House Budget Committee are limted to serving three terms in any ten-year period. This rotating membership limits the interest of Budget Committee members, who are unwilling to put the same amount of effort into its work as they would for another committee of which they can be a career-long member. It, therefore, limits the expertise of House Budget Committee members. The power of House Budget Committee chairmen is limited severely by their inability to serve in that capacity for more than two terms. Finally, because there is no limitation on the length of service for Senate Budget Committee members, the House Budget Committee is at a serious disadvantage in conferences on budget resolutions.

What Should Be Done

The solutions to these problems are relatively straight forward. In many cases they involve nothing more than the formal adoption of some procedures that Congress has informally adopted over the past few years. The new answers should be based on attempts to reimpose the original aims of the budget process--accountability and a framework for decisionmaking.

Solution 1: Accelerate The Process

This can be accomplsihed in three ways. First, the requirement of a second budget resolution should be formally eliminated. For all practical purposes, the second resolution has ceased to have any real use anyway. A binding first resolution in the Spring that Congress can modify later if necessary will provide a better framework for all authorizations and appropriations and will free several weeks in the Fall that otherwise would be spent debating the budget for a second time.

Second, the timetable should be modified slightly. The President should be required to submit his or her budget proposal by January 15, not the current deadline of fifteen days after Congress convenes. A new administration should be required to submit its budget no later than February 15. The deadline for reporting all authorizations should be advanced from May 15 to May 1. This is appropriate and possible because the submission of the President's budget will be advanced by at least several weeks. If this date forces the committees to pass more multi-year authorizations, so much the better. Reconciliation off the first resolution should be recognized formally as necessary and proper. It should include not just entitlements but all spending programs. Finally, any reconciliation actions resulting from the first resolution should be required to be completed no later than June 15.

Third, there must be a commitment by both the House and Senate leaderships to enforce the deadline throughout the year every year. Regardless of the changes that Congress agrees to ultimately, they will eventually be avoided if the leadership does not monitor the process constantly.

Solution 2: Use CBO Assumptions

The only participant in the budget debate with no interest in the outcome is the Congressional Budget Office. Unlike the President and the Budget Committees, CBO does not gain or lose politically if its economic or spending projections are better or worse. It only gains if the projections are accurate. Therefore, CBO should be required to issue economic and spending assumptions on December 15. The President should be required to draft his or her budget and the budget committees to draft the first resolution using them. Nothing would prevent any of the participants from using their own projections in addition to the CBO figures.

Solution 3: A Real Unified Budget

All off-budget federal agencies and programs should be included in the totals approved by Congress in the budget resolutions. Tax expenditures and credit programs also should be included. Like all spending, they also should be listed not only in the aggregate, but by function.

Solution 4: Votes On Waivers

A specific recorded vote should be required of any proposed waiver of any part of the budget process. This will allow representatives and senators to be held accountable for any procedure that Congress uses to avoid the hard choices the process otherwise would require. This would be in complete accord with the original spirit and intention of the Budget Act.

Solution 5: Eliminate The Three-Term Limit

Like all other committees, the House Budget Committee should have permanent rather than rotating members.

What Should Not Be Done

There are, of course, a large number of other changes in the budget process that have been recommended recently. Many of them should be considered seriously. However, there are three recommendations that I believe should not be adopted under any circumstances.

First, the fiscal year should not be changed to begin on January 1 rather than the current date of October 1. This will only provide three additional months for congressional activities the first year it is imposed. In the later years, Congress will have less pressure to move quickly and likely will expand its current work to fill the extra time. More importantly, however, the additional time will enable Congress to put off difficult budget decisions until after the November elections. This flies in the face of the budget process's goal of accountability.

Second, multi-year budgeting should not be implemented. The state of economic forecasting is such that assumptions used to formulate a two-year budget would be hopelessly out-of-date by the time the fiscal year actually began. Frankly it is hard to understand why this suggestion is being taken seriously at all--even our current one-year budget is out-of-date before it begins.

Finally, the budget committees should not become "Leadership" committees. Making them into arms of either or both parties will only make budget decisions more difficult and will not increase public confidence in Congress's ability to manage the economy.

STATEMENT OF PROF. GEORGE D. BROWN, BOSTON COLLEGE LAW SCHOOL

THE BALANCED BUDGET AND THE FEDERAL COURTS

Introduction and Summary

This testimony relates directly to one of the questions which will arise if a Balanced Budget Amendment is adopted: what might be the role of the courts in enforcing such an amendment? However, as the recent Senate debate illustrates, this question has emerged as one of the central issues in the argument over whether to adopt such an amendment at all. The bulk of this testimony will examine the role of the courts in an effort to allay fears of a "flood of litigation" which would paralyze the budgetary process and, indeed, the entire federal government.

The principal themes of the testimony are as follows:

* Many of the predictions about extensive litigation are simply unsupported assertions which reflect an underlying hostility to the concept of a Balanced Budget Amendment rather than the results of any sustained legal analysis.

* The types of specific disputes most frequently invoked as candidates for judicial review would almost certainly be dismissed under the "political question" doctrine.

* The Senate floor debate on standing was based on serious misconceptions of current law. In particular, the most recent Supreme Court case on taxpayer standing was not even discussed.

* If the issue of judicial enforcement is to be addressed at all in the text of any amendment, this should be done in the form of an authorization to Congress to deal with the issue as part of any implementing legislation.

1) The Spectre of Judicial Activism

For years the principal "legal" argument against a Balanced Budget Amendment has been the contention that a provision of this nature - embodying economic policy - did not belong in the Constitution, whatever its short term merits might be. During the 97th Congress a somewhat different legal argument was advanced to demonstrate the evils of the proposal: any such amendment would generate a flood of litigation which would paralyze the budgetary process and, indeed, the entire federal government. Yet this argument consists frequently of little more than a bare assertion. For example, on July 28 Senator Moynihan read into the Congressional Record an open letter from over 170 economists opposing the amendment. One of the arguemnts was as follows:

> "Interpretation of the Constitution -- including this Amendment, if approved -- is a function of the judiciary. We believe it unwise to involve the courts in the interpretation of economic theory and economic policy. It often takes years to develop a judicial construction sufficiently thorough to comprehend the full range of issues, arguments, and conflicts inherent in a new legal situation. Moreover, it often takes years to adjuciate the cases that arise to test the scope and application of a new legal concept. To be effective, economic policy must be flexible, and respond to changing economic conditions, institutions, and relationships; bringing the courts into the policy process would severely undermine the necessary flexibility." 128 Cong. Rec. S9271 (July 28, 1982).

While these general statements are valid as generalities they rest on the assumption that courts would jump into the fray, seizing every opportunity to become deeply involved in "the interpretation of economic theory and economic policy."

Many Senators apparently shared the assumption. For example, on July 19 Senator Cranston, opposing the concept of a Balanced Budget Amendment, offered the following observations:

> "The resolution opens judicial review of all actions taken to carry out the mandate of the resolution. Courts could rule on the constitutionality of a budget. Congress could find itself subject to an injunction of a Federal court directing that certain fallacious economic assumptions in the congressionally adopted 'balanced statement of outlays and receipts' be revised and the statement accordingly revised.
>
> "What is to prevent an angry Member of the Senate or the House from filing suit against the budget on such grounds? Or citizens?" 128 Cong. Rec. S8566 (July 19, 1982).

Legal experts could readily be found to support such dire predictions. Senator Baucus produced a 1980 analysis of a Balanced Budget Amendment by the New York City Bar Association's Committee on Federal Legislation. Its Chairman described as "inevitable" judicial involvement in "the day-to-day workings of the budget process." He stated the Committee's view that "[t]he amendment will undoubtedly result in a host of lawsuits - annually recurring - challenging particular expenditures and appropriations and every attempt to raise or lower taxes." 128 Cong. Rec. S9551 (August 2, 1982). (A 1982 letter from the Committee to Senator Baucuss addressing the specific issues of standing and political questions is discussed in sections 2 & 3 infra.)

Treating the matter of extensive judicial involvemnt as a foregone conclusion might be warranted if "the law" was clear that suits under the amendment would be heard and decided. However, examination of the areas which would be most relevant to this litigation leads to the very opposite conclusion: not only is "the law" in such areas as standing and political questions far from settled, but whatever clarity does emerge suggests that plaintiffs could rarely get a federal court to even reach the merits of their cases. In other words, the spectre of judicial activism is a specious argument against the amendment.

2) Budget Issues as Political Questions

When amendment critics do get down to the specific lawsuits which might be spawned, perhaps the most frequently cited examples are challenges to either the economic forecasts underlying the statement of receipts or the choice of a definition of national income. E.g., 128 Cong. Rec. S8744 (August 4, 1982) (Senator Bradley). Yet such issues may well be non-justiciable "political questions."

Although the political question doctrine's contours are far from well defined - indeed, some have questioned its very existence - the notion that the separation of powers requires that the political branches have final say over some matters has a continuing attraction. In the 1979 decision of Goldwater v. Carter, 444 U.S. 906, the plurality opinion of the Court disposed of the issue -- whether the President could terminate a treaty -- on political question grounds. Although Justice Powell would not have found a political question, he offered a formulation of the basic inquiries of political question analysis which may be helpful in the Balanced Budget Amendment context: "(i) Does the issue involve resolution of questions committed by the text of the Constitution to a coordinate branch of government? (ii) Would resolution of the question demand that a court move beyond areas of judicial expertise? (iii) Do prudential considerations counsel against judicial intervention?" 444 U.S. at 998.

Let us apply Justice Powell's inquiries to a challenge to the economic assumptions underlying the required "statement of receipts and outlays . . . in which total outlays are no greater than total receipts." First, a court might well find a clear textual commitment to the political branches. Under Section 1 of the amendment Congress is empowered to adopt the statement, to amend it and, under limited circumstances, to exceed and to waive it. Furthermore, the same section commits to the Congress and the President the duty of ensuring that acutal outlays do not exceed those in the statement. Thus a court might conclude that matters pertaining to the contents of the statement, in particular the economic assumptions which underlie it, are committed to the other branches.

Justice Powell's second and third inquiries lead even more strongly to a conclusion that courts should stay out. Economic forecasting seems to lie "beyond areas of judicial expertise" and in elaborating on the meaning of prudential concerns, Justice Powell stressed the need to avoid situations where "multifarious pronouncements by various departments on one question" could embarrass the government and undermine mutual respect among the three branches.

About the best that the amendment's critics can do on the political question front is to say that examples of the doctrine are rare, and that it probably would not bar all litigation. The New York City Bar Association Committee's July 1982 letter to Senator Baucus states, in part, "While it is very difficult to characterize political questions in general terms, we seriously doubt that all questions arising under the proposed budget-balancing amendment would be held to be political. . . ." 128 Cong. Rec. S9555 (August 2, 1982). That is something less than an iron-clad guarantee of floods of litigation. (The letter does not cite, let alone analyze, the several opinions in Goldwater v. Carter.)

3) Misunderstanding Standing.

Many Senators who participated in the recent debate on a Balanced Budget Amendment alluded to suits which would be brought by a vast group of potential plaintiffs including Congressmen, taxpayers and citizens. Examination of the Supreme Court's treatment of plaintiffs' "standing" to sue - particularly decisions of the post-Warren Court - leads to the conclusion that most of these plaintiffs would be thrown out of court summarily on the ground that they lacked standing.

Although the concept of standing is frequently described as "confused" - primarily by those who would like to see it abandoned - some elements of the doctrine are relatively clear. In particular the Court has consistently rejected claims of citizen standing. Recent decisions emphasize the constitutional underpinnings of this refusal to allow citizens to function as private attorneys general: Article III's limitation of the judicial power to cases and controversies requires that a plaintiff allege injury in fact, which, in turn, requires that the plaintiff assert more than "the generalized interest of all citizens in constitutional government," Schlesinger v. Reservists Committee to Stop the War, 418 U.S. 208, 217 (1974).

Justice Rehnquist recently summarized the Court's position on citizen standing as follows:

> "This Court repeatedly has rejected claims of standing predicated on 'the right, possessed by every citizen, to require that the Government be administered according to law. . . .' Such claims amount to little more than attempts 'to employ a federal court as a forum in which to air . . . generalized grievances about the conduct of government.'"

Valley Forge Christian College v. Americans United for Separation of Church and State, 102 S.Ct. 752, 764 (1982) (citations omitted).

As to suits by members of Congress, the standing issues become more complex, but clear indications of how the courts would handle such cases can be found. Most of the caselaw on (federal) legislators' standing has developed in the Court of Appeals for the District of Columbia Circuit. During the early 1970's that court appeared to be developing a broad concept of legislator standing, relying on plaintiffs' interest in the legislative process, e.g., Mitchell v. Laird, 488 F.2d 611 (D.C. Cir 1973). However, in recent cases the court has recognized that such a doctrine could turn legislators into roving attorneys general able to challenge any governmental illegality. The current standard appears to be that a legislator must show that his ability the vote has been nullified, see, e.g., Harrington v. Bush, 553 F.2d 190 (D.C. Cir. 1977).

Even under this standard, it is possible that legislators would have standing to challenge some executive breaches of the amendment. However, to the extent their grievances were with congressional action, or inaction, it is not clear whether individual legislators would ever have standing. Chief Judge Wright, in a 1979 concurring opinion, stated that "Where Congress itself, and not the Executive, renders an individual legislator's vote ineffective, the courts have no role." Goldwater v. Carter, 617 F.2d 697, 712 (D.C. Cir.), vacated, 444 U.S. 996 (1979) (concurring opinion). In sum, legislators might well have standing to enforce the amendment in limited circumstances. The extent of such circumstances is not clear, but to suggest it resembles a flood is neither accurate nor helpful.

The most extensive discussion of standing decisions during the Senate debate occurred in connection with the question of taxpayer suits. Many Senators discussed the decision in Flast v. Cohen, 392 U.S. 83 (1968), which dealt with taxpayer suits against federal officials for violations of the Constitution. Senators emphasized Flast's double nexus test - that "a taxpayer will be a proper party to allege the unconstitutionality only of exercises of the taxing and spending clause of Art. 1; § 8, of the Constitution," and that plaintiffs must "show that the challenged enactment exceeds specific constitutional limitations upon the exercise of the taxing and spending power and not simply that the enactment is generally beyond the powers delegated to Congress by Art. 1, § 8."

The notion that Flast was the controlling precedent in this area was reinforced toward the close of the debate by frequent references to testimony before the House Judiciary Committee by Professor Lawrence Tribe of the Harvard Law School. Because of the source and because of the prominence which it assumed in the debate, the relevant portion of this testimony is set forth in its entirety:

> "7. Constitutional provision should not foster an Imperial Judiciary.
>
> Constitutional provisions affirmatively empowering government action, and those securing specified individual rights against government, may be judicially enforced without necessarily requiring assertions of judicial power to manage the fiscal operations of government. Judicial enforcement of the proposed Balanced Budget Amendment, in contrast, would necessarily plunge judges into the heart of the taxing, spending, and budgetary process. As Senator Gorton put it in the other chamber several days ago, this 'threat that we are vastly increasing the power of the Judiciary - that we are inviting the Judiciary into the business of writing budgets for the people of the Untied States - is a threat [even] more grave than [that] of . . . Presidential impoundment . . .,' Cong. Rec. S9393 (July 29, 1982). He noted the 'paradox . . . that a number of Members who have most fiercely opposed the intervention of the judiciary into [busing, prayer, and other 'social issues'] should not have proposed an amendment which is likely . . . to add to the legislative authority of the Federal courts.' Id.
>
> The Senate nonetheless defeated Senator Gorton's proposed limit on judicial review under the Balanced Budget Amendment - a narrow limit, at that - by a vote of 51 to 45. Cong. Rec.

> S9407 (July 29, 1982). Before that vote, Senator Heflin had noted that not even the Gorton Amendment could keep 'State courts from getting involved.' Id. at S9400-01. Senator Hatch had expressed the view that, if 'Congress itself ignores' the Balanced Budget Amendment, 'Members of Congress would - and should - "have standing [on the basis of] being foreclosed from performing their duties as Members of that body,' leading to what 'may [be] a justiciable issue.' Id. at 9404. Senator Hatch opposed the Gorton Amendment because it could change all that. Senator Thurmond had expressed fear that the Gorton Amendment could also 'have the unfortunate effect of precluding a legitimate lawsuit by a citizen with judicial standing who wants to challenge the constitutionality of the failure to Congress to obey the provisions of Senate Joint Resolution 58.' Id. at 9406. Without an explicit limit on judicial review, the Senate was reminded, would-be recipients of outlays halted pursuant to the Balanced Budget Amendment could surely go to court to challenge any such cut-off, See Cong. Rec. S9405 (Sen. Bumpers); and federal taxpayers claiming that Congress was raising and spending taxes in violation of the new Amendment's express restrictions on the spending and taxing powers of Congress could certainly obtain standing under Flast v. Cohen, 392 U.S. 83, 103-04 (1968). See Cong. Rec. at S9394 (Sen. Gorton). In the face of Senator Bumpers' unrebutted suggestion that defeat of the Gorton Amendment would virtually assure a degree of judicial intrusion well beyond that contemplated by the Senate Report (at 62-66), see Cong. Rec. at S9405, the Senate defeated the Gorton alternative.
>
> The dilemma for the sponsors of the Balanced Budget Amendment is an enormous one. If it were indeed as 'self-enforcing and self-monitoring' as they assert, Senate Report at 66, then the need for it - a need premised entirely upon the supposed necessity of 'external constraint,' id. at 42, 75 - would vanish. If, as seems more plausible, it is not meaningfully 'self-enforcing,' see Parts 3 & 4 supra, then there is no way to make it work without compelling the judiciary to take on the task of budget-master, creating evils at least as great as those the budget-balancers hope to solve."
>
> 128 Cong. Rec. S9618 (August 3, 1982).

It should be noted that the only case which Professor Tribe cites in his discussion of standing is Flast v. Cohen. However, on January 12, 1982 the Supreme Court dealt with the issue of taxpayer standing in Valley Forge Christian College v. Americans United for Separation of Church and State, 102 S.Ct. 752. A majority held that taxpayers lacked standing to challenge actions by the executive branch in disposing of surplus government property to a school with religious affiliations. The Court found that the plaintiffs could not satisfy the first Flast nexus because they were challenging executive, rather than congressional action. The court reasoned, in the alternative, that the action in question was not an exercise of the spending power but of the separate power to dispose of the property of the United States.

Valley Forge is important in several respects. First, by refusing to extend Flast to the area of challenges to the executive it cuts off many of the suits which were predicted during the senate debate. Second, the thrust of the opinion is clearly hostile to Flast, suggesting that the majority is laying the ground work for overruling that case. Justice Rehnquist began his analysis not by citing Flast at all but by discussing at some length the 1923 case of Frothingham v. Mellon 262 U.S. 447. He characterized Flast as an "exception" to the Frothingham principle, which must be applied rigorously. Finally, the dissenting opinions of both Justice Brennan and Justice Stevens stress that Flast should best be read as establishing a special rule for standing in the context of asserted violations of the First Amendment. According to Justice Brennan, "the two-pronged 'nexus' test offered by the Court, despite its general language, is best understood as 'a determinant of standing of plaintiffs alleging only injury as taxpayers who challenge alleged violations of the Establishment and Free Exercise Clauses of the First Amendment,' and not as a general statement of standing principles." Id. at 777. Thus neither the Tribe testimony nor those who relied upon it discussed at all the most recent and highly relevant Supreme Court decision in the area of taxpayer standing. Neither did the letter from the New York City Bar Association to Senator Baucus.

4) Should the Amendment Deal With the Role of the Courts?

As the preceding analysis suggests, predictions of a flood of litigation seem largely unfounded. On the other hand, several Senators stated during the recent debate that the courts ought to be available, in some instances, to enforce the balanced budget process. See, e.g., 128 Cong. Rec. S9399 (July 29, 1982) (Senator Heflin); see S. Rep. No. 97-151, 97th Cong., 1st Sess. 65-66 (1981). Whatever view one takes of the matter it would seem that Congress should, as the Senate did, address the role of the courts during consideration of the amendment itself. There are four basic options:

(1) Bar judicial enforcment in the text of the amendment;

(2) Specify and limit judicial enforcement;

(3) Say nothing, leaving the issue to be worked out by the courts;

(4) Authorize Congress to deal with the issue in implementing legislation.

The first option is clearly undesirable. As indicated, some judicial enforcement may well be necessary to keep the process honest in extreme circumstances, such as a decision by Congress and the President to ignore it altogether. It is interesting to note that Senator Gorton considered such a bar, but rejected it. See 128 Cong. Rec. S9394 (July 29, 1982).

Instead, Senator Gorton proposed an example of the second option: limiting the availability of judicial enforcement to cases involving the meaning of terms in the amendment or cases arising under any implementing legislation. Id. at S9392. The problems/with any delineation approach are twofold. To begin with there is the question whether it embraces the "right" class of cases: those which the spirit of the amendment suggests ought to be adjudicated. Furthermore, whatever categories of cases are included are frozen into the Constitution. If subsequent experience suggests that the lines so drawn are either too broad or too narrow Congress' hands are tied.

The Judiciary Committee opted for the third approach. The Committee reasoned that doctrines such as standing and political questions would prevent any flood of litigation, and that the courts would be available to solve any major problems which did arise. However, the second conclusion does not follow from the first. The "big" cases, for example, an outright thwarting of the amendment by Congress and the President, might be thrown out as non-justiciable. Alternatively, if a flood of litigation does materialize, any effort by Congress to deal with it would run squarely into the complex and unresolved issues of Congress' power over federal court jurisdiction.

These critiques of the first three options lead to the conclusion that language in the amendment authorizing Congress to deal with the issue may be the best solution. It addresses the problem, unlike the Committee/ approach, but retains flexibility, unlike the first two options. A possible version of such language is section 6 of the Bumpers substitute amendment, debated on August 3.

> "Section 6. Except to the extent provided in legislation enacted by the Congress after the effective date of this article, the judicial power of the United States shall not extend to that part of any case, controversy, claim, or defense arising under, or based in whole or in part on, this article, nor shall that part of any case, controversy, claim or defense arising under, or based in whole or in part on, this article be entertained or considered by any court of the United States or of any State." 128 Cong. Rec. S9671 (August 3, 1982).

This language can be criticized as blocking all litigation unless Congress acts. However, it is likely that Congress would consider judicial issues as part of any initial implementing legislation. Certainly alternative formulations can be devised. For example, one might paraphrase Article III and provide that the judicial power shall extend to cases and controversies arising under the amendment with such "exceptions and regulations" as Congress may provide. (However, this could, in turn, lead into debates over the extent of the exception power!) The important question in whether the fourth option is the best approach. In my view, it is.

Conclusion.

The issue of the role of the courts under a Balanced Budget Amendment raises questions for which there are no easy answers. That is precisely why I take issue with the facile critics who predict confidently a flood of litigation. In the end, one must analyze the cases and exercise a lawyer's judgment as to what the courts will do. In my judgment, it is more likely than not that the courts will turn away any army of plaintiffs, should such an army materialize. Nonetheless, authorizing Congress to deal with judicial enforcement may be desirable, more in order to permit litigation than to prevent it.

AMERICAN ENTERPRISE INSTITUTE FOR PUBLIC POLICY RESEARCH,
Washington, D.C., December 22, 1982.

Hon. PETE DOMENICI,
U.S. Senate,
Washington, D.C.

DEAR PETE: This letter responds to your letter of September 24. Please excuse our delay in responding, but discussions with your staff indicated that it was your intent to have input into the approaching deliberations on the 1984 Budget. We wanted our response to reflect recent developments so as not to be overtaken by events.

As you know, the American Enterprise Institute, being tax-exempt, does not take an institutional position on policy issues. That does not, however, restrain our scholars from voicing their opinions. To reply to your letter, I have asked several members of our staff to provide their views on a number of budget-related matters.

Enclosed you will find:

Attachment 1. Two recent testimonies on budget process by Rudy Penner. One of these was given before your committee.[1]

Attachment 2. A memo by Rudy Penner on the deficit problem and related matters.

Attachment 3. Letters from Herbert Stein and William Fellner supplementing the Penner memo.

Attachment 4. A paper by Jack Meyer on budget policies related to health.

Attachment 5. A paper by Denis Doyle on budget strategies toward education.

Attachment 6. A paper by John Weicher on recent and potential budget strategies related to housing.

I hope that the enclosures are helpful. If we can be of assistance in any other way, including the provision of briefings to you and/or your staff, please let me know.

Yours sincerely,

WILLIAM J. BAROODY, *President.*

Enclosures.

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[1] See Mr. Penner's testimony before this committee beginning at p. 97.

American Enterprise Institute -- Attachment 1

REFORMING THE BUDGET PROCESS

RUDOLPH G. PENNER
American Enterprise Institute

September 14, 1982

I would like to thank the Committee for this opportunity to testify.

The testimony reflects my own personal opinions and does not necessarily reflect the views of the staff, advisory panels, officers, or trustees of the American Enterprise Institute.

The congressional budget process has been operating under conditions of extreme duress. There were times this year when I had some doubt that it would survive. The fact that we have a budget resolution and that a large portion of the deficit-reducing elements of that resolution has been enacted into legislation is testimony to the strength of the process and the leadership exercised by this committee, other members of Congress, and the Administration.

Some blame the difficulties of this year on flaws in the process. I do not. Needless to say, the process is not perfect, but I believe that the problems of this year and the time consuming nature of the deliberations are more a reflection of the fundamental difficulties of the decisions that had to be made than they are a reflection of important flaws in the decision making process.

Choosing among conflicting goals is always excruciating. Prior to the invention of the process, Congress did not have an

*This testimony does not necessarily reflect the views of the staff, advisory panels, officers, or trustees of the American Enterprise Institute.

adequate mechanism for making such choices. Obviously, if difficult choices are not made explicit, decision making is easier, but considerably less rational. Consequently, the drafters of the 1974 Act knew that they were making decision making more difficult, just as it should be.

I doubt, however, that the inventors of the process ever imagined that things would be as difficult as they turned out to be this year. The problems that emerged stemmed from the legislative actions of 1981. While I agreed with the goals of those actions and while the goals--higher defense spending, higher private capital formation, lower inflation, lower marginal tax rates, lower non-defense spending and lower deficits--were not logically inconsistent, the Administration and the Congress got their numbers wrong. The enacted reduction in long-run revenues was far in excess of the prospects for lower long-run spending, and massive long-run deficits became ingrained in any reasonable budget projections.

That left the Congress only with unpleasant choices. Some of the tax cut had to be taken back and programs had to be cut further. Given the excruciating nature of the decisions that had to be made, a remarkable portion of the structural deficit problem has been eliminated by the tax actions and the spending cuts already enacted. The fact that these decisions could be undertaken in a recession which coincided with an election year tells me that the process is indeed very powerful and not at all riddled with weaknesses.

Unfortunately, a large deficit problem remains. The process will be under extreme duress again next year although a recovering economy and the absence of an election should make things a bit easier. They will, however, be far from pleasant.

I think that it would be a big mistake to try to make fundamental changes in the process while it is under such duress. There are a number of reasons for this judgment:

1. As already noted, I think that there is a tendency to confuse problems which arise from weaknesses in the process with problems which arise from the inherent difficulty attached to the decisions that have to be made. I am not sure that I can sort out these problems myself. For example, it is not clear to me how much blame for the time consuming nature of the process should be attached to each problem. Under these conditions, there is a high probability of making mistakes. I have considerable confidence that having made considerable progress this year, we shall be able to resolve a considerable portion of the remaining deficit problem in the deliberations over the 1984 budget. There is a very good chance that things will become much easier for the 1985 and future budgets and that, in my view, is the time to amend the process.

2. The current duress is not without some benefit. It is subjecting the process to the severest test imaginable. Under those conditions we are learning more about what is good and what is bad about the process. I think that we shall learn a great deal

more next year. We can make use of that knowledge in one comprehensive set of amendments and I think that a one step amendment process would be preferable to the two step process that might otherwise be necessary.

3. I would not make the previous two points if the process had become inflexible. But we have shown that we can make useful changes within the confines of current law. The reconciliation process has been has been reformulated and has become a device for imposing severe budget discipline. There is plenty wrong with reconciliation and I am not sure that I would like to see it used annually. But under the very special circumstances prevailing over the last two years, it has been a valuable, and perhaps, an indispensible tool. We have also pragmatically altered the implications of the first and second resolutions. Before this year I favored having only one resolution in the spring and making it binding. I now believe that the approach taken this year is preferable. It puts the second resolution into effect unless the Congress decides otherwise. This procedure saves time in ordinary years, but leaves a formal procedure and schedule in place for making changes if economic conditions or priorities change significantly over the course of the summer.

Although I would prefer that no major legislative action be undertaken with respect to the budget process in 1982 and 1983, a problem has emerged which threatens the process and could create enormous difficulties for rational decision making. That threat stems from the popularity of a budget-balancing constitutional amendment.

It is easy to understand the appeal of the amendment. I, in fact, believe the proposition upon which it is based. That is that present decision-making institutions are biased in that they provide higher spending and deficit levels than the typical voter desires. I do not believe, however, that a constitutional amendment would correct this bias and indeed, it is easy to imagine cases in which the bias would be strengthened.

I have twice testified against the amendment before the Judiciary Committee and shall not repeat the arguments here. Whatever one believes about the desirability and ultimate effects of the amendment, however, it is hard to deny that it would subject the budget process to far more pressure and the process would, by necessity, become far more complex and time consuming than it is today.

Because of the potential problems, it is important to experiment with some of the concepts embodied in the amendment long before it is put into the constitution. I would like to think of a legislative approach to the problem as a substitute for the amendment, that is to say, as an approach that would make the amendment unnecessary. As a second choice, I would like to see the amendment tried as legislation for a few years so that the practical flaws become apparent before we constitutionalize the approach. I strongly believe that such an experiment would uncover such grave practical difficulties that the amendment would become far less appealing. But, if such an amendment is to be ratified, it will be particularly important to have experimented with a legislative variant so that we learn how to implement the amendment and minimize the number of instances in which future budgets violate the constitution.

A number of members of this committee have suggested a legislative approach which has considerable appeal. I should say at the beginning that I believe that the practical problems of legislating a balanced budget and a spending limit are identical to the problems of constitutionalizing such goals, but legislation can be more easily modified over time as we uncover one booby trap after another. More important, we would eliminate the disrupting influence of constitutional crises which would be sure to emerge under the amendment approach. But I would not favor all components of the legislative approach if the threat of an amendment did not exist.

There are, however, two elements of the proposed approach which would be desirable even if the constitutional amendment had never been invented. The requirement of a three-fifths vote to waive the spending ceiling on revenue flow contained in the budget resolution has much appeal. It increases discipline and so counters the previously-mentioned bias toward higher than desirable spending and deficit levels.

The proposal that House and Senate Budget Committees and the Administration prepare budgets based on a commonly agreed set of assumptions is also very important. It would greatly reduce the confusion present in past budget debates when it was hard to differentiate differences in spending and receipts targets that stemmed from differenced in policies from those that stemmed from differences in assumptions. I think that the experience of this year showed that using common assumptions during the budget negotiations made a very difficult process somewhat easier.

In the absence of an amendment, I would not favor the requirements that the President and Congress prepare a balanced budget every year as one option and that a scenario be provided to reduce spending to 20 percent of GNP over the longer term. Such exercises would serve a very useful educational role and therefore, I must admit that they have some appeal. But they would, if done seriously--and that is the only way to do them--be very time consuming and complicate an already complex procedure. I doubt if the benefit-cost ratio of such exercises is greater than one. However, with the threat of a constitutional amendment hanging over our head, it is probably important to do such things. The value of the exercise's educational function has suddenly risen, because it will either illustrate the futility of the amendment approach or help us to learn how to live with an amendment should one be ratified.

American Enterprise Institute -- Attachment 2

American Enterprise Institute for Public Policy Research
1150 Seventeenth Street, N.W., Washington, D.C. 20036
(202) 862-5800

November 24, 1982

MEMORANDUM

TO: Senator Domenici

FROM: Rudy Penner Rudy

SUBJECT: Budget Process and Budget Policy

Budget Process

I am enclosing two testimonies on the budget process. The version given before your committee responds to those questions raised in your letter on which I have definite views. The version given before the House Budget Committee is very similar but responds to some slightly different questions raised by Chairman Jones.

Budget Policy

The legislative actions taken during 1982 made a vitally important contribution toward reducing an explosive and somewhat frightening deficit problem. However, a major deficit problem remains.

As you so well know, any projections of future deficits is very sensitive to the economic assumptions used, but assuming a fairly healthy non-inflationary recovery (I would be pleased to give your staff the details.), my own estimates imply a unified deficit equal to something over 5 percent of the GNP in Fiscal 1983 or \$170 - \$180 billion. My projections for 1984 and 1985 imply deficits between 4 and 5 percent of the GNP or in the range of \$140 to \$190 billion given current policies as defined by the fiscal 1983 budget resolution.

Economists argue a lot about the harm done by deficits, and it cannot be argued with certainty that deficits of this size would do great harm. But the very fact that we are uncertain about their effects implies that we are taking a huge risk if policies are not changed.

It must be noted that such deficits are very large relative to anything in our post-World War II history. It is particularly disturbing that the deficit remains high for at least four years in a row (1982-85). If my projections are correct, the deficits implied by current policy over the period will average 4.5 percent of the GNP. The previous four year record since World War II was 2.9 percent in the period 1975-78.

There are other ways of illustrating the unusual magnitude of the deficit. The dissaving by the Federal government will absorb almost the entire amount of savings by individuals over the period. That leaves business saving, state and local saving and foreign saving to finance whatever gross private investment occurs. After allowing for depreciation the deficits may be equivalent to about one-half of total private saving.

Another worry stems from the fact that in a typical recovery additional inventory accumulation and fixed private investment is financed in significant measure by an absolute decline in the Federal deficit. There will be little or no decline during this recovery.

There are a number of reasons that we got into this mess in the first place. The seriousness of the recession is much discussed and I shall not elaborate on the point here. It is important to note that the high employment deficit which abstracts from the effects of the business cycle also rises over this period. In large part, this results from a favorable development. Inflation has slowed at a far more rapid pace than the President promised in developing his original budget plan. This means that the 1981 reforms which cut marginal personal tax rates and increased depreciation allowances were not offset by inflation as much as was expected when they were designed. The real value of the 1981 tax cut has turned out to be much greater than promised when it was implemented. In a crude way, the 1982 depreciation changes can be considered as a correction for disinflation, but the personal tax cuts remain largely intact. Some further tax action can, therefore, be rationalized on the basis that the surprising rate of disinflation provided unintended tax cuts.

The disinflation also raised the real value of spending. The indexing of social programs works with a time lag; the real value of interest payments on past debt was not eroded as fast as expected; and the real value of money appropriations turned out to be higher than expected.

The end result shows that it is extremely difficult to adjust budget policies to disinflation. Ever since the beginning of the Reagan Administration, Executive Branch and Congressional budget projections have been based on economic assumptions that involve inflation continuing at high levels despite the fact that Mr. Volcker has told us very clearly that the Fed intends to squeeze inflation out of the economy. Because we have avoided facing up to the budget implications of disinflation, our budget decisions have been seriously flawed. As we begin considering the 1984 budget it is essential to base our decisions on economic assumptions that are consistent with the clearly enunciated goals of the Fed.

What are realistic goals for the deficit? There is no serious chance of balancing the budget over the 1984-88 projection period unless we abandon monetary policy's crusade against inflation. But, if we cannot abide by the balanced budget rule, is there any other rule that tells us when deficits are definitely too high?

I would like to propose one that does not define an ideal deficit, but instead one that tells us when the size of the deficit becomes very dangerous for the long run.

I believe that there is cause for worry whenever the deficit exceeds the interest bill on past debt. There is a tendency in the long run for the interest rate to approximate the rate of growth of the nominal GNP. If the interest rate exactly equals the growth of GNP and if the deficit exactly equals the interest bill, the rate of growth of the outstanding debt equals the growth of GNP. A deficit larger than the interest bill implies that the ratio of the debt to GNP grows as does the ratio of the interest bill to GNP. Under these circumstances the interest bill becomes a driving force in outlays and if the situation is allowed to persist, the size of the deficit eventually becomes so large relative to GNP that there is little choice but to sell bonds to the Fed and therefore to provoke rapidly accelerating inflation. None of this necessarily happens for a very long time, but there is already some weak evidence of the phenomenon in our recent fiscal history. Between fiscal 1974 and fiscal 1982 the debt held by the public rose from 25.1 percent to about 30 percent of the GNP. The net interest bill rose from 1.6 percent of the GNP to 2.7 percent and from 8.0 percent of outlays to 11.4 percent.

The net interest bill in fiscal 1985 will be about $120 billion. We should certainly get the on plus off-budget deficit below this level and that should be within reach. A much lower deficit would, of course, be desirable, but I am now discussing a ceiling which should not be breached except in extreme circumstances. Obviously, the rule has some serious flaws. There is the grave danger that it will be misinterpreted to be a goal rather than a ceiling and some may think that it is all right to allow the deficit to rise whenever interest rates rise in the short run. That would be perverse to say the least.

The rule is only intended to indicate the maximum fiscal irresponsibility that we can tolerate in the long run. We should try to do much better.

Another rule says that deficits equal to the amount by which the outstanding debt is eroded by inflation are permissible. If this rule is followed, the absolute real value of the debt remains constant. I have some problems with this rule because it implies that investors are always eager to maintain the real value of their holdings of Treasury securities and this may be a non sequitur. However, I shall not discuss this rule further because it implies a deficit much lower than any that we shall see for a very long time. Even satisfying my first rule will not be easy.

How might we do it? On the spending side there are only a few important programs. The CBO estimated in September that in 1985, national defense, pensions and medicare, and net interest will equal 76 percent of total outlays under current policy. If other entitlements such as medicaid, food stamps and AFDC are added, the ratio becomes 89 percent. Put slightly differently, the course of future spending will largely be dependent on our policies toward defense and social security including medicare. I assume that if we have the political will to alter social security pensions, it becomes much easier to also reform civil service and other government pensions.

Defense and pensions have some similar characteristics. Both are hard to cut in the very short run. In defense the easiest items to cut quickly are personnel, operations, training and maintenance but military experts have convinced me that these are the things that we need most. The increased procurement of expensive weapons systems inherent in the President's defense plan is much more dubious. If it is agreed that these should be cut back, it is necessary to move quickly because even now it will be hard to take actions that have a significant effect on outlays before 1985. I believe that we should not rule out a careful scrutiny of budget authority already created in 1981. It may be possible to take some of that back. But even if outlays cannot be lowered greatly in 1984, I think that financial markets will be impressed if the defense path can be lowered in 1986 and beyond. If, on the other hand, it is decided that we really need all of those weapons, it then becomes essential to enact a rather major tax increase to pay for them.

Social security growth is also difficult to slow down in the short run. There is a moral contract out there and it is unfair to take recipients by surprise and radically to change the benefit rules applied to those already retired and those very near retirement. But a gradual change in the benefit structure would greatly improve the very long-run path of spending, and again, if financial markets are at all rational that should impress them.

While short-run changes in the benefit structure must be limited because of constraints created by the "moral contract", I do not think that they should be ruled out together. A moral contract should be renegotiable when conditions change just as are private contracts. The benefit levels promised by legislation in 1972 and 1977 were predicated on the assumption that the economy would grow vigorously. It has not, but I do not think that present and future taxpayers should bear all of the pain resulting from the bad economic forecasts of the past. The pain should be shared by beneficiaries and some modification of COLAs or some taxation of a portion of benefits seems perfectly legitimate to me.

A realistic view of what can be done on the spending side yields the conclusion that some further tax action is necessary to bring the 1985 deficit down to acceptable levels, i.e., at least below $120 billion given a realistic forecast. One could go on and on about options, but the principle should be to broaden the tax base and to keep marginal tax rates as low as possible except in the cases where we have made them negative as in certain types of investment activity. I would be pleased to discuss tax options with your staff at any time along with other options on the spending side.

Enclosures

American Enterprise Institute -- Attachment 3A

American Enterprise Institute for Public Policy Research (202) 862-5800
1150 Seventeenth Street, N.W., Washington, D.C. 20036

December 21, 1982

The Honorable Pete V. Domenici
2317 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Domenici:

I am in general agreement with the views on budget policy and procedures put forth by my colleagues Rudolph Penner and William Fellner in their letters to you. I would like in addition to raise a different issue.

I believe that it is urgent to try to develop a national consensus on fiscal policy which will last for some time, which will govern actual decisions and which the private sector can count on. That no such consensus now exists is obvious. Almost all politicans give devout obeisance to the notion that the budget should be balanced, but they have no intention of balancing it and no one expects that they will. We have no other rule of fiscal policy. There is no agreement on whether reducing deficits stimulates or depresses the economy. There is still disagreement, although less than a year ago, about whether reducing tax rates raises or lowers the revenue. There is disagreement about whether budget deficits are good because they frighten Congress into holding expenditures down or bad because they relieve Congress of the need to pay for what they spend. And so on.

This lack of any agreed and reliable national fiscal policy has two main and serious consequences. First, the fiscal outcome is the accidental result of a multitude of individual decision in which aggregate considerations have been lost because we have no firm guidance on how the aggregate considerations should be taken into account. I think the lack of a fiscal policy frustrates the intention of the budget reform. The budget reform was instituted to permit the implementation of an overall fiscal policy to which individual spending and taxing decisions would be made to conform. But if we have no overall policy this machinery is all dressed up with no place to go. Second, in the absence of any agreed-upon policy the private sector does not know what is coming next. That is bad for investment and other long-run private decisions.

It does not seem to me that we are making progress towards resolving the difficulty I have just described. Although there is a lot of discussion of fiscal policy the popular discussion is superficial and full of cliches. Even people who should know better seem to be content to go on repeating positions to which they have personal or partisan commitments. Not much will be gained by taking a survey of economists. The problem is not merely that the economists will disagree. Each economist, if he is candid, will admit that his own preference for fiscal policy is supported by very uncertain evidence and also implies answers to questions on which economists have no special competence. Moreover, faced with the uncertain and contradictory advice of economists the real policy makers have no way of distilling out a conclusion.

I do not believe that things have to be this way. I believe that there was a much more constructive national discussion of fiscal policy in the years just before and just after World War II. We had the mammoth study conducted by the Temporary National Economic Committee, which was aborted by the war. Near the end of the war and shortly thereafter there was the discussion and hearings that led up to the Employment Act of 1946. There was work done by the Committee for Economic Development, the National Planning Association, and other private organizations which not only made a substantive contribution but also helped to convey new economic thinking to the public at large. A subcommittee of the Joint Economic Committee under the chairmanship of Senator Paul Douglas conducted valuable hearings. The American Economic Association set up two committees to distill the wisdom that economics had to offer.

The circumstances of that time were for several reasons unusually favorable for that kind of discussion, but we ought to do what we can now to elevate and intensify discussion of the principles of fiscal policy. The Congressional Budget Committees would be the logical place to start. The House and Senate Budget Committees might set up a Joint Commission to study fiscal policy, with a life span of, say, two years. The Commission could be composed of some Congressmen and Senators and some economists and other experts. It would need a research staff, preferably of young ambitious people seeking to identify themselves with a big success. The Commission and its staff would draw up a list of fundamental questions. It would invite written responses to these questions from economists and from organizations of business, labor, finance, and other sectors. Hearings would be held and reports written. One can hope that the work of the Commission would inspire other thinking and discussion. Possibly when it was over we would not know a lot more than we now know. But we would probably know a lot less that isn't so, what is known would be more broadly known and more influential, and we might have more agreement on what policy should be.

If you or members of your staff would like to pursue this subject I would be happy to send you things I have written which spell out further what needs to be studied. I would also, of course, be pleased to discuss the matter in person.

Sincerely yours,

Herbert Stein

Herbert Stein

American Enterprise Institute -- Attachment 3B

American Enterprise Institute for Public Policy Research (202) 862-5800
1150 Seventeenth Street, N.W., Washington, D.C. 20036

December 22, 1982

The Honorable Pete V. Domenici
United States Senate
Washington, D. C. 20510

Dear Senator Domenici:

Those of us at the AEI who are particularly interested in the problems to which my colleague Rudolph Penner addressed himself in his memorandum have had several discussions of these topics with one another, and the contribution I can try to make by way of an addition to his memo is limited to a few points. What I would like to do in the way of an addition is to enclose a Table the first and sixth column of which clearly illustrate the fact that by past standards the deficits that now threaten to develop are indeed exceedingly large.

(1) Over the entire period covered in this Table we find only one year other than years of recession in which the NIA deficit exceeded the 2 to 2 1/2 percent range in relation to the GNP, and in most years other than years of recession the deficit remained well below the 2 to 2 1/2 percent range relative to the GNP. Even in some recession years the deficit remained below the 2 to 2 1/2 percent range. The one non-recession year with a ratio to GNP exceeding the range of 2 to 2 1/2 percent was 1976 -- a year falling in an unfavorable period of our economic development. In that year the ratio of the deficit to the GNP was 3.1 percent, corresponding to 44.5 percent of our aggregate net savings (personal plus corporate). The ratios to the GNP and to private savings that now appear to be in the offing for years one would expect to be favorably located in the business cycle are quite a bit higher in relation to the GNP and to private net savings than even these "record" ratios for non-recession years, that is, quite a bit higher than 3.1 and 44.5 percent, respectively.

(2) What I am saying here implies that in my appraisal the now usual discussions of the deficit problem tend greatly to overemphasize the effect of deficits on aggregate economic activity and to pay far too little attention to the effect of deficits on the consumption-investment mix at given levels of activity. Except in very rarely encountered circumstances the effect of deficits on aggregate demand and on aggregate activity can be largely offset

by monetary policy. Yet on realistic assumptions the conclusion is inevitable that deficits channel savings away from the financing of private investment, and in the United States all investment of enterprises is private investment. The deficits now in prospect for years we hope to become years of healthy cyclical expansion threaten to channel away from private investment more than one-half of the net savings.

(3) I will not even try to go here into the question of what combinations of measures could prevent such an outcome. Let me say only briefly, yet emphatically, that we should not go back on the tax indexation measure that has been adopted for F.Y. 1985 and thereafter. In other words, in no event should we return to the basically indefensible practice of allowing inflation to push taxpayers with given real incomes into higher and higher tax brackets, thereby making inflation a profitable process for the Federal Government.

I remain, Senator Domenici,

Very sincerely yours,

William Fellner

William Fellner

Enclosure

William Fellner
American Enterprise
Institute

TABLE

NIA Federal Surplus (Deficit) in Relation to Net Savings (Percent)

Year	(1) Total (Pers.plus Corp.) Savings, billions	(2) Pers.Savgs., billions	(3) Total Savgs. / GNP	(4) Pers.Savgs. / Disp.Inc.	(5) Surplus / GNP	(6) Surplus / Total Savgs.
1955	29.6	16.4	7.4	6.0	1.1	14.9
1956	32.0	21.3	7.6	7.3	1.5	19.1
1957	32.6	22.3	7.3	7.2	0.5	7.1
1958	31.7	23.6	7.0	7.4	-2.3	-32.5
1959	34.8	21.1	7.1	6.2	0.2	3.2
1960	31.8	19.7	6.3	5.6	0.6	9.4
1961	35.5	23.0	6.8	6.3	-0.8	-11.0
1962	41.4	23.3	7.3	6.0	-0.7	-10.1
1963	42.4	21.9	7.1	5.4	0.1	.7
1964	53.4	29.6	8.4	6.7	-0.5	- 6.2
1965	63.7	33.7	9.2	7.1	0.1	.8
1966	68.0	36.0	9.0	7.0	-0.2	- 2.6
1967	74.0	44.3	9.3	8.1	-1.7	-17.9
1968	69.8	41.9	8.0	7.1	-0.7	- 8.6
1969	63.7	40.6	6.7	6.4	0.8	13.2
1970	70.5	55.8	7.1	8.0	-1.2	-17.6
1971	83.5	60.7	7.7	8.1	-2.0	-26.3
1972	83.2	52.6	7.0	6.5	-1.4	-20.2
1973	111.3	79.0	8.4	8.6	-0.4	- 5.0
1974	98.5	85.1	6.9	8.5	-0.8	-11.7
1975	123.3	94.3	8.0	8.6	-4.5	-56.2
1976	119.4	82.5	6.9	6.9	-3.1	-44.5
1977	126.4	78.0	6.6	5.9	-2.4	-36.7
1978	134.2	89.4	6.2	6.1	-1.4	-21.8
1979	145.3	96.7	6.0	5.9	-0.6	-10.2
1980	145.6	106.2	5.5	5.8	-2.3	-42.0
1981	156.1	130.2	5.3	6.4	-2.1	-39.5

Jack A. Meyer
American Enterprise Institute
December 1982

American Enterprise Institute -- Attachment 4

Health Care: Problems and Policy Recommendations

Problems

Three fundamental forces have driven up the costs of health care: first, open-ended federal tax subsidies for the purchase of ever more comprehensive insurance, which inflates the demand for health care services; second, retrospective cost-based reimbursement of doctors and hospitals by both government and private insurers, which in effect rewards (and thus entrenches) inefficiency; and third, ironically, government regulation itself, which tends to confirm the status quo, protecting those who provide too much health care too expensively and impeding innovative attempts to lower costs.

Instead of addressing these forces head-on, public policy has been geared largely to a search for short-term savings in federal health outlays, without looking at what our regulatory controls will do to the quality and accessibility of care -- in other words, without looking at the costs that government "savings" will lay on the consumer. And we also tend to underestimate the likelihood that regulation simply will not achieve its goals, quite aside from its costs. Often we wind up shifting costs or causing them to change form, so that regulation seems to be working when in fact the costs are merely being swept under the rug -- as when hospitals shift the unreimbursed costs of treating Medicare cases to other patients. Worst of all, we let the "success" of this shifting blind us to the real need for structural reform over the long run.

Federal Health Programs

The cost of Medicare and Medicaid is doubling every four years, and is likely to amount to over $70 billion in FY 1983. With tax expenditures related to health care included, the federal government's budget exposure in health care will be in the range of $100 billion this year.

Medicare and Medicaid have both inefficient and inequitable features. Currently, cost-sharing in Medicare occurs at the "back-end" when people have incurred huge medical bills and is quite limited for hospital services at the "front-end." Federal aid to the poor for health care is inequitable, systematically excluding millions of poor people based on criteria such as family status. Both programs have featured retrospective reimbursement policies that have treated both efficient and profligate providers on a cost basis.

The health care provisions of TEFRA (H.R. 4961) show that Congress is still relying primarily on a regulatory approach to cost containment, featuring new formulas that extend the grip of regulation, benefit reductions, cutbacks in provider reimbursement, and cost shifting.

Potentially promising features of the new bill involve prospective payments to hospitals for services under Medicare and a more equitable system of Medicare reimbursement of HMOs. Many prospective payment systems, however, retain few elements of "prospectivity" once they are implemented and end up being tied to the allowable cost concept. And there is no assurance that a prospective budget, even if it sticks, will lead to hospital managements' responses that improve efficiency rather than reduce the amount or quality of services. In any event, Congress only directed HHS to settle on a model for prospective reimbursement for FY 1984. Early 1983 may see this process of model development or implementation stymied or blocked. The DRG approach that currently intrigues HHS may prove to be far too complicated (and yet, ironically, incomplete) to achieve any significant progress.

Recommendations

Instead of more formulas and further cost-shifting, I recommend these specific steps: (1) cap the chief open-ended health-related tax subsidy by placing a ceiling on the amount of employer contributions to employee health insurance that can be excluded from an employee's income for federal tax purposes; (2) build a stop-loss feature into Medicare combined with a greater measure of cost-sharing for relatively routine services; (3) convert Medicare to a program of fixed dollar premium subsidies equal in real value to the average cost of serving elderly people (with adjustments for such factors as age); (4) replace the current Medicaid system with sliding scale premium subsidies in which the very poor would be fully subsidized; and (5) continue to deregulate the health care system.

Many of these proposals are incorporated in legislation currently pending in Congress (see bills introduced by Congressman Richard Gephardt, H.R. 850; Senator David Durenberger, S. 433; Senator Orrin Hatch, S. 139; and Gephardt and Congressman Willis Gradison, H.R. 4666).

As a short-run strategy, I recommend a combination of (1) a tax subsidy cap set high enough (or grandfathered) so as to be politically feasible, yet the principle of a limit would be introduced; (2) a little more cost-sharing in Medicare for hospitalization, but not a drastic change (e.g. $10 per day for the first 20 days, and this could be increased for the nonpoor over time, while the elderly poor could be exempt); (3) a voucher that the elderly could use to purchase any qualified plan (not just HMOs); (4) faster track granting of Medicaid waivers to states to conduct innovative cost containment measures featuring changes in incentives (e.g. cost-management, primary care networks, preferred provider organizations, competitive bidding).

American Enterprise Institute -- Attachment 5

THE EDUCATION BUDGET:

STRATEGIC CONSIDERATIONS FOR THE EIGHTIES

The 98th Congress has the opportunity to rise above the old rhetoric of budget cuts. The public and the Congress now realize that there will be fewer real dollars for education at the federal level in the foreseeable future. But it is a critical error to simply cut programs across the board. Informed judgment can transform a period of scarcity into an opportunity. Cuts without corresponding program changes expose the Congress and Administration to the charge that they do not care about education. The opportunity before the 98th Congress is to reshape and reconfigure federal education programs and demonstrate a convincing commitment to a small but responsible federal role.

The Need. The pressure of entitlements in health and social security, together with increased defense expenditures, force an education zero sum game at the federal level. Education will be lucky to maintain nominal spending levels; together with a sluggish domestic and international economy, massive defense needs, and public antipathy to tax increases, education has no federal resource pool to draw upon.

In addition, changing demography will have a powerful impact; fewer students means less political support for education, while more older Americans means greater support for health, housing, welfare, and retirement programs. The same pressures exist at the state and local levels. (Charles Benson, one of the nation's most distinguished school finance economists, asked if there would be new state revenues to improve California education, said: "Only if the people of California march on Sacramento and demand a tax increase.")

The Problem. At no time in our history has the need for effective education and training been greater. Nobel Laureate Theodore Schultz asserts that today 80% of all wealth is derived from human capital--people's acquired skills and abilities--and only 20% from physical capital.

For a decade and one-half--the real period of substantial federal aid to education--federal programs have been designed as add-ons to state, local, and private programs. While federal education programs vary greatly (they include, for example, individual entitlements, grants to institutions, modified revenue sharing, unfunded mandates, modified categoricals, R & D), the amount of federal dollars has never exceeded 10% of total spending. But the federal reach far exceeds what the budget implies. Federal rules and regulations alone have a substantial impact out of all proportion to the dollars available. Equally important is the additive aspect of federal funding; on top of state, local, and private sources it is money at the margin with significant leverage on the system.

A recent example is of special note: administration proposals to significantly reduce student aid for higher education received extensive coverage in the press. Congressional refusal to enact such cuts got less coverage. The effect has been a dramatic, even disastrous downturn in private college and university enrollments in fall 1982. More than a third of the nation's private schools report a freshman class enrollment decline of more than 10%. For non-profit institutions operating on narrow financial margins, such downturns can be catastrophic.

In a period of declining enrollments, some institutional triage is both necessary and desirable. But it would be an historic irony of the first order of magnitude if this Congress and Administration adopted policies that punished private institutions while they cushioned the impact on public institutions.

The Opportunity. The federal government is in a position to significantly reconfigure and restructure its role as it cuts the budget. The need to do so is manifest, and the public is prepared to support it.

First, three major programs are very nearly off limits politically because of powerful constituency support and Congressional interest: aid to the handicapped, impact aid, and Title I.

Aid to the handicapped, for a variety of reasons, is best left alone. Impact aid, in theory, could be transferred to the Pentagon budget and appropriated as tuition reimbursements for military dependents. Transforming impact aid into a "voucher" system would have no aggregate budget effect, but it would be of some symbolic significance, and it is properly a cost of the military (as are overseas dependents' schools). Politically, it might pave the way for "vouchers" generally, an idea touched on below.

Title I (now Chapter I) is also strongly supported in the Congress, and little savings potential exists. One dramatic change should be considered, however: transfer Title I into a student-based program (as higher education now is). Title I "vouchers" would rationalize the federal role, put funds behind needy students (rather than blindly funding schools), and introduce some measure of market discipline: that is, Title I vouchers would be portable among schools and between school districts. The long-term effect would be a strong stimulus to school reform while protecting the disadvantaged.

Two other education programs deserve mention:

o Tax credits for primary and secondary education. In a period of acute scarcity, it is inappropriate to advance a tax credit program on the basis of private school equity alone. Education tax credits should be treated as any other tax credit: as a public sector stimulus to private consumption of a socially desirable good or service, with the long-term objective of reducing the demand on the public purse by encouraging private consumption. Because of an understandable desire to hold public schools "harmless" (i.e., not induce enrollment shifts to private schools), this is a politically difficult path, but it is the only rational justification for tax credits in today's budget and economic climate. If tax credits have a rational purpose, it is precisely to encourage students to move to the private sector and relieve the public sector; a private sector windfall makes little sense in the best of times.

- Student financial aid. Most, if not all of the added economic value of education and training accrues to the individual (with concomitant social benefits); there is little compelling reason for society as a whole to bear the major cost of education and training. But if there is not a compelling argument on behalf of federal financing of postsecondary education, there is every reason for the federal government to play a role as broker and banker. Access to capital to finance postsecondary education is essentail for most students: the federal government can organize, maintain, and operate a human capital loan bank. Depending upon its design features, such a bank could be entirely self-supporting and reach as large a universe of students as demand generates, at no cost to the government. The savings potential in this area alone is enormous.

In sum, strategic budget planning in education for the rest of the century must emphasize new strategies and new program structures; simple budget cutting is counterproductive--as counterproductive as the costly budget additions of the seventies were.

--Denis P. Doyle
American Enterprise Institute
December 3, 1982

American Enterprise Institute -- Attachment 6

John C. Weicher
December 3, 1982

HOUSING AND COMMUNITY DEVELOPMENT FISCAL ISSUES

The Administration's budget for FY 1983 continued to cut back sharply on HUD programs, and the bill reported out by the Senate Banking Committee goes a bit further. The House bill, however, is a more traditional housing bill, which originally carried a much higher price tag. On December 1, the House Banking Committee agreed to scale down the cost of its bill, but did not change its programmatic approach. Adoption of the Senate's bill is still preferable, therefore; even though it has larger short-term budget outlays, it is a long step toward bringing future outlays under control. There is also still some room for cutting the Senate bill.

The probable FY 1984 budget will continue the general outlines of last year's proposal, but will tend to be more liberal. Some of the differences have potentially important budget implications.

FY 1983

The Senate bill authorizes $7.2 billion for 156,000 additional subsidized units, of which 15,000 are new construction Section 202 projects for the elderly, and 136,000 would be "vouchers" under the Administration's proposed Modified Section 8 program. Other than Section 202, it would repeal authorization for Section 8 New Construction projects, which have per-unit budget costs of about $7,000 per year for 20 to 40 years. The Senate bill would also end the Farmers Home Administration's below-market interest rate home loan program, replacing it with a rural housing block grant and a smaller market-rate loan program. Both these changes will help to hold down long-term budget outlays. Section 8 New Construction funded in the last eight years has obligated the federal government to pay over $90 billion in future years.

The Administration also requested a new program of rental housing rehabilitation grants, tied in with Section 8 Existing. This program would provide $150 million for 30,000 units; HUD would then offer Section 8 certificates to tenants in the projects. This is a step away from the Administration's and the Senate's basic thrust toward a housing subsidy program that lets assistance recipients select their own standard-quality housing. Essentially it is a variant of the current Section 8 Substantial Rehabilitation program, except that the new program only provides a front-end subsidy rather than a continuing 20 year or longer commitment. An expansion of this program is proposed for FY 1984.

The budget resolution also provided $1 billion for the Lugar bill in FY 1983. There is much less reason for this bill at present than there was last spring; the housing industry is recovering from the recession, with starts up by a third from their low in October, 1981, and any stimulus from the Lugar bill will now come when the recovery is still further advanced.

FY 1984

The rental rehabilitation program is again proposed, but this time at double the cost ($300 million), and with new construction permitted as well. Apparently the budget envisions 15,000 rehabilitated units at $5,000 each, and 15,000 new construction units at $15,000 each. This would in effect re-create a less expensive version of Section 8 New Construction at the same time that the Administration is seeking repeal of the original program. This program would siphon off about 20 percent of the proposed Modified Section 8 vouchers.

HUD also proposes to resume financing public housing projects through tax-exempt bonds, rather than through the Federal Financing Bank. This would lower the direct outlays for construction of public housing projects, but raise the total costs to the federal government because of the revenue loss arising from the tax exemption, which will be greater than the direct saving. The excess cost may be in the neighborhood of one percent annually of the principal value of the tax-exempt bonds. The budget proposes to fund only $39 million in contract authority ($1.13 billion in budget authority), so the revenue loss from this initial proposal would be trivial. But there is another $19 billion short-term obligations outstanding; these are for projects started after 1974, when HUD began to fund public housing construction through short-term notes while waiting for interest rates to turn down. Should this amount be converted to long-term tax-exempt bonds, the net revenue loss cost to the Treasury might run around $190 million annually for 20 to 40 years.

Most importantly, HUD is proposing a major change in the public housing operating subsidy program. Precise figures aren't yet available, but it apparently plans to ask for $10 billion over a four-year period to complete the modernization of outstanding public housing projects. In the past, it has estimated the total cost of this modernization at $4 billion. At the same time, HUD is trying to develop a program to reduce the overall volume of public housing by encouraging local authorities to sell off their most costly projects, while providing funds for the tenants to be housed elsewhere. These include many of the projects targetted for modernization. An important part of HUD's rationale for modernization is to bring the projects up to the quality level at which they could be sold to a private landlord. But for some of the projects, a better alternative might be demolition, again providing the tenants can be taken care of adequately. However, once the modernization funds are spent, HUD and the local authority will have every incentive to continue to keep them in the existing inventory, with operating subsidies, unless they can find a buyer at a price that covers the cost of modernization. The full-scale modernization program should be deferred until HUD can present data on which projects would be modernized, whether or not they have been "troubled" projects, and which are likely candidates for sale afterwards.

HUD also plans to shift to a "Fair Market Rent" concept for operating costs, paying subsidy for each apartment based on its estimate of the rent the unit could command in the private market. For most projects, this would result in a higher subsidy than they are presently receiving. But in the largest cities, particularly in the Northeast, it would probably provide less money. The outcome is likely to be more money for the majority of projects, and a "hold-harmless" for the larger authorities. This means a larger outlay, with the additional money going primarily to those projects which have been able to function reasonably well under the present less expensive system.

The Brookings Institution

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Economic Studies Program

September 21, 1982

Senator Pete V. Domenici, Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

As you know, the Brookings Institution publishes an annual review and evaluation of the budget. This year's edition, Setting National Priorities. The 1983 Budget, contains a chapter on Congressional budget procedures by Robert W. Hartman (chapter 7, pp. 221-49). The chapter reviews the history of the Congressional budget process, examines the criteria of the process, and evaluates alternative budgetary procedures.

I am enclosing a copy of this year's Setting National Priorities and hope that you will include the Hartman chapter in the published record of the recent hearings conducted by your committee on congressional budget procedures.

With best wishes,

Sincerely,

Joseph A. Pechman

Joseph A. Pechman
Director of Economic Studies

Enclosure

CHAPTER SEVEN

Making Budget Decisions

ROBERT W. HARTMAN

FEDERAL BUDGET decisions not only reflect views about fiscal and social policy, but also are substantially shaped by electoral politics and by the processes of government. Breaking a budget stalemate appears to require that a compromise between quite divergent views be worked out by the president and the two houses of Congress in this election year using a still-evolving budget process. It will not be easy. Moreover, in the past year such actions as reconciliation and closing the government for a day have left the public more confused than ever at a time when calm judgment is needed to deal with the serious substantive issues raised by this year's budget.

This chapter tries to provide a background for understanding some of the procedural developments of the past and alternatives for the future. It first discusses legislative developments through President Reagan's first year in office, then examines prospects for avoiding a stalemate this year, and concludes with a look at alternative future budgetary procedures, ranging from relatively weak budget controls to a constitutional amendment to balance the budget.

The author thanks Henry J. Aaron, Arthur M. Hauptman, Darwin G. Johnson, and Robert D. Reischauer for helpful comments, Allan M. Rivlin for research assistance, and Jane R. Taylor for secretarial assistance.

Evolution of Budget Reform

"The president proposes and the Congress disposes" is shorthand for the American system of handling federal laws, including the budget. While budgetary procedures of the executive branch changed little in the 1970s, those of the Congress underwent significant change.

The Executive Branch

The preparation of the president's budget proposal each January has been more or less the same for the last twenty-five years. In the spring preceding the budget's submission, the Office of Management and Budget conducts a spring preview, a series of meetings and presentations involving OMB and agency officials, in an attempt to identify the issues likely to have a major impact on the upcoming budget. These reviews may lead to further study, to directives to agencies to prepare specific proposals, and to the development of planning ceilings for the agencies. By the fall, the OMB's attention turns more directly to the budget. Ordinarily the OMB director holds meetings to review all parts of the budget. Decisions are made on the administration's economic assumptions and overall fiscal policy. These are translated into firm budget guidance to each government agency. As the calendar year draws to a close, there is a series of exchanges of budget submissions between the OMB and the agencies, culminating in final negotiations between the White House and the agency heads. Various presidents have involved themselves in the process in greater or lesser detail, but the president is always the final arbiter.

When a new president comes to office, the transition imposes a need for supplementing procedures in the executive branch. At the start of both the Carter and Reagan presidencies in 1977 and 1981, budget amendments were hurriedly put together for delivery to the Congress by March to meet the congressional budget calendar. Obviously, the telescoped amending process cannot involve as much agency consultation or give-and-take as there is in the ordinary budget deliberations. In 1981 there was almost none, in part because OMB Director David Stockman was knowledgeable and had a comprehensive program and in part because in early 1981 there was little expert opposition either in the White House or in the agencies. Thus President Reagan's first-stage budget proposal in 1981 was conceived and born in the OMB. The fiscal 1983 budget, which had a full year to develop, was not an all-OMB product. Stockman's power had been eroded by his candid observations in a magazine article,[1] and several forceful cabinet officials had developed power and influence with the president. Thus the 1983 budget was more a joint product of the agencies and the OMB, although in some important respects (most notably the new federalism proposals discussed in chapter 5) the proposals were crafted with little agency involvement.

The OMB's main role usually ends with the submission of the president's budget to Congress. Although the OMB monitors the budget's progress and clears officials' testimony, the brunt of the responsibility for defending the president's proposals falls to agency chiefs. While the appearance of unswerving loyalty to the president is always maintained by agency officials who want to keep their jobs, deals that depart from the president's proposals are often cut between agency heads, who may be acting on behalf of outside interest groups, and committee chairmen. There was little evidence that this "iron triangle" of interest group, agency, and congressional committee exerted influence in 1981, in part because the OMB took a much stronger interest than customary in the budget's progress through Congress. Indeed, because most of the key budget legislation was encompassed in a single bill, the Omnibus Budget Reconciliation Act of 1981, the iron triangle would have had to be designed by a computer. Stockman was able to exert full control over President Reagan's spending plans because the OMB played a large part in drafting the "bipartisan" Gramm-Latta proposals that later became law.[2] The interdependence of the parts of the fiscal 1983 presidential budget proposal or a possible compromise package makes it likely that the OMB will continue to play a central role in negotiations with Congress.

Congressional Budgetary Procedures

Before 1974 the Congress did not deal with the president's budget submission in a systematic or well-coordinated manner.

[1] See William Greider, "The Education of David Stockman," *Atlantic Monthly*, December 1981, pp. 27–54.

[2] Dale Tate, "Reconciliation's Long Term Consequences in Question as Reagan Signs Massive Bill," *Congressional Quarterly Weekly Report*, vol. 39 (August 15, 1981), pp. 1463–66.

The legislative proposals in the president's budget were simply parceled out to the various committees in each house.[3] Proposed *appropriations* (which set dollar limits, usually called *budget authority*, on the commitment of funds for any particular government activity) were sent to the Appropriations Committee in each house, which then allocated the requests to its subcommittees. Proposed *authorizations* (which establish the legal basis for the federal government to engage in an activity, such as the Vocational Education Act, and set an upper limit on appropriations for that activity, usually over several years) were sent to the pertinent authorizing committee (for example, the Senate Labor and Human Resources Committee) for consideration. Tax change proposals went to the House Ways and Means Committee and later to the Senate Finance Committee. Each committee worked at its own pace, and after each piece of legislation cleared both houses and a conference committee to reconcile differences, it was sent to the president for signature. The "budget" that emerged was the uncoordinated sum of the spending consequences of all these laws.[4]

No committee of Congress was in charge of the budget as a whole. Although the Ways and Means and Finance Committees were in command of the laws governing taxes, they acted independently, and often in ignorance, of actions taken by the spending committees. The Appropriations Committees did give some overall guidance to their subcommittees and usually cut spending below the president's request. Authorizing committees were totally uncoordinated and often circumvented the Appropriations Committees by establishing and liberalizing *entitlements*. Entitlements are authorizing laws that establish a beneficiary's claim to a government payment (for example, food stamps), thereby making the subsequent appropriation an *uncontrollable* item in the sense that the Appropriations Committees had no discretion over it. Aside from the lack of coordination and of a central accountable entity, this congressional process lacked timeliness. Some appropriations became law before the start of the fiscal year; others did not. When a regular appropriation had not been passed, an agency would be financed under a *continuing resolution*, a stopgap measure that left much to be desired.

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[3] 3. The budget document itself is not a proposed law. It is accompanied by proposed laws that are very specific. There is no single law that can be called "the budget." See the discussion in the text of budget resolutions.

[4] 4. And of laws passed earlier which established "permanent appropriations" (such as for interest on the national debt) that do not require annual legislation.

The Congressional Budget and Impoundment Control Act of 1974

Most of these procedures remain intact today, but the Congressional Budget and Impoundment Control Act of 1974 made several important changes in budgetary procedures while building on the existing structure of legislative activity. The act created a Committee on the Budget in each house to coordinate budget policy and a Congressional Budget Office to provide staff expertise. The coordinating role of the Budget Committees can best be understood through the procedural calendar also established by the 1974 act. Under the new procedures the proposed laws implementing the president's budget are still parceled out to the authorization, appropriation, and tax committees, but action on the floor of Congress is not permitted until certain milestones are passed. The cycle begins in mid-March, when each committee sends a report to the Budget Committee containing its recommendations for budgetary action in its domain of expertise.

The Budget Committees draft and report out by April 15 a *first concurrent resolution on the budget*. This resolution specifies aggregate targets for budget authority, outlays, revenues, and deficits, as well as for the cumulative debt subject to statutory limit.[5] The resolution also sets forth targets for budget authority and outlays in each function (national defense, health, and so forth). Budget Committee staff translates them into targets for

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5. The debt subject to statutory limit includes virtually all Treasury debt whether owned by the public or by federal agencies. The unified budget deficit ("the deficit" in everyday parlance), on the other hand, nets out the annual surplus of federal trust funds (almost always held in the form of Treasury securities), and it does not include the deficit of off-budget entities, which are financed by the issue of Treasury debt. Thus the annual increase in the debt subject to statutory limit (except for small adjustments relating to cash accounts) equals the unified budget deficit plus the trust fund surplus plus the deficit of off-budget entities. The debt subject to statutory limit will rise even if the budget, as conventionally defined, is balanced; it will cease rising only if there is a surplus on non-trust fund accounts ("federal funds") equal to or greater than the deficit of off-budget entities. See *Budget of the United States Government, Fiscal Year 1983, Special Analysis E: Borrowing and Debt*.

each committee that has jurisdiction over some part of the budget. Once a common first concurrent resolution has passed each house, scheduled for May 15, the authorizing and appropriating committees, acting under the guidance of the first resolution, may bring bills to the floor.[6] All the while, the Congressional Budget Office keeps track of the progress of legislation and aids the Budget Committees in informing members if the targets in the resolution are likely to be breached. Thus during the summer, when most spending legislation is being enacted, the committees of Congress are under only one (nonbinding) constraint—the target for spending or taxing allocated to them as a result of the first concurrent resolution.

The congressional budgetary process culminates in September, just before the start of the fiscal year, which was shifted to October by the 1974 act. The act requires Congress to pass a *second concurrent resolution* in September and, if necessary, to revise the limits contained in the first resolution. The estimates for spending and taxing in the second resolution are "binding" in this sense: once the resolution has been passed, any member can kill legislation that raises the outlays and budget authority above their ceiling or reduces revenues below the revenue floor by objecting to its consideration. Before any such legislation can be passed, a *third concurrent resolution* is required to change the limits. Thus the final binding budget under the new procedures constrains only *legislative action*; it does not limit the budgetary outcomes themselves. Indeed, the budget resolutions are only a set of rules for Congress; they are not signed by the president and have no status as laws. Also, if at the time the second concurrent resolution is adopted the previous actions of any committee are found to be inconsistent with the dollar limits of the second resolution, the situation would be rectified by the *reconciliation process*. In the second resolution itself, committees would receive reconciliation instructions that directed them to amend or to rescind appropriations or other spending legislation or to change the tax laws. The legislation drafted by the committees given these directives would be packaged (without change) by the Budget Committees into a single *budget reconciliation act*. The budget reconciliation act must clear Congress by September 25, to give the president time to sign it before the fiscal year begins.[7]

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[6] The 1974 act required that authorizing legislation be reported by committees no later than May 15, but numerous waivers of procedure have weakened this constraint.

How the Process Worked

These procedures operated pretty much as the legislation intended between 1976 (when the new procedures were first fully implemented) and 1978 (covering the budgets for fiscal years 1977–79). As shown in table 7-1, the budget calendar was adhered to in that period, and the first resolution outlay targets were not breached by either committee legislative activity or subsequent events. Revenues were slightly overestimated in fiscal 1977 but underestimated in 1978 and 1979, and the actual budget deficit came in well under initial estimates.

This propitious start for a new procedure was facilitated by the state of the economy and the reaction to it in Congress. In 1977 and 1978 recovery from the recession of the mid-1970s was the central economic preoccupation of the country. President Carter's first budgetary actions, amending the 1978 budget, were explicitly designed to stimulate the economy. The substantive committees of Congress supported him, and the Budget Committees made little challenge, thus establishing their place in the legislature without disturbing continuing power relationships.

Fiscal 1979 represented a transition for the economy and for budget policy. When President Carter first proposed his budget for that year in January 1978, the centerpiece was a tax cut intended to maintain the growth of the economy. As time passed, however, it became clear that the economy was improving significantly and that inflation was worsening. The president narrowed the proposed tax cut, and these lower limits were incorporated in the second concurrent resolution passed in September. In October, when the tax bill reached the floor of the Senate, several proposals to deepen the tax cut beyond the limits of the second resolution were defeated when Senator Edmund S. Muskie, Budget Committee chairman, objected and was upheld by the Senate.

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[7] See Allen Schick, *Reconciliation and the Congressional Budget Process* (American Enterprise Institute for Public Policy Research, 1981).

Table 7-1. Outlays and Revenues under Congressional Budget Resolutions and Actual Outcomes, Fiscal Years 1977–82

Billions of dollars

Item	*Date of conference agreement*	*Outlays*[a]	*Revenues*[a]	*Deficit*
Fiscal 1977				
First resolution	5/13/76	413.3	362.5	50.8
Second resolution	9/16/76	413.1	362.5	50.6
Actual	. . .	401.9	356.9	45.0
Overrun or shortfall[b] (−)	. . .	−11.4	−5.6	−5.8
Fiscal 1978				
First resolution	5/17/77	461.0	396.3	64.7
Second resolution	9/15/77	458.3	397.0	61.3
Actual	. . .	449.9	401.1	48.8
Overrun or shortfall[b] (−)	. . .	−11.1	4.8	−15.9
Fiscal 1979				
First resolution	5/17/78	498.8	447.9	50.9
Second resolution	9/23/78	487.5	448.7	38.8
Actual	. . .	493.7	465.9	27.7
Overrun or shortfall[b] (−)	. . .	−5.1	18.0	−23.2
Fiscal 1980				
First resolution	5/24/79	532.0	509.0	23.0
Second resolution	11/28/79	547.6	517.8	29.8
Actual	. . .	579.6	520.0	59.6
Overrun or shortfall[b] (−)	. . .	47.6	11.0	36.6
Fiscal 1981				
First resolution	6/12/80	613.6	613.8	0.2[c]
Second resolution	11/20/80	632.4	605.0	27.4
Actual	. . .	657.2	599.3	57.9
Overrun or shortfall[b] (−)	. . .	43.6	−14.5	58.1
Fiscal 1982				
First resolution	5/21/81	695.5	657.8	37.7
Second resolution	11/19/81	695.5	657.8	37.7
Actual[d]	. . .	725.3	626.8	98.6

Source: Congressional Budget Office.

a. Actual outlays and revenues in each year use the definitions in force at the time. In fiscal 1982 the actual reflects new definitions adopted after the budget resolutions for that year were voted.

b. From first resolution.

c. Surplus.

d. Estimated in *Budget of the United States Government, Fiscal Year 1983*, p. 2-14.

Beginning with the 1980 budget, attention turned to fighting inflation, and budgetary difficulties began to develop. The 1980 budget proposed by President Carter in January 1979 was billed as an austerity budget. It included what seemed then to be unusually large spending cuts, and the deficit was limited to under $30 billion, a figure Carter had promised in the fall of 1978. For the first time the new budgetary procedures had to deal with unpleasant choices, and the results were not encouraging. Because President Carter had proposed a $30 billion deficit and because inflation was raging in early 1979, the Budget Committees felt obliged to issue a first concurrent resolution with a deficit no larger than the president had proposed. The first resolution therefore assumed that certain savings, amounting to about $5.6 billion, would be made by authorizing committees. These were referred to in the conference report on the first resolution but not in the resolution itself. As the summer wore on these legislative savings failed to materialize in committee actions, and a deep division developed between the two houses.[8] For the second concurrent resolution, the Senate Budget Committee decided to carry out the reconciliation procedures and called for $4 billion in mandatory savings, and the full Senate agreed. The House Budget Committee could not agree to implement reconciliation, and after a protracted delay in conference the second budget resolution passed in late November 1979 with no reconciliation. This resolution still projected a fiscal 1980 deficit of under $30 billion, even though all indications were that such a level could not be reached without further deficit-reducing legislation. The failure to implement reconciliation meant that such legislation would not be enacted. The Budget Committees were becoming convinced that the weak mechanism for enforcing legislative savings assumed in the first concurrent resolution needed strengthening.

The Budget Prelude of Fiscal 1981

The procedural developments in the 1981 budgetary process were a turning point. In January 1980 President Carter sent Congress his budget proposal, tailored to election-year politics.

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[8] The legislative savings were supported by the Carter administration, but its influence with Congress was low in mid-1979, the period in which the president went on a solitary retreat and then fired several members of the cabinet.

It dropped the austerity theme and tried to offend no important constituency. Perhaps because of the public's awareness that the second budget resolution for fiscal 1980 was phony in the sense that its assumptions were not likely to be realized, a sharp eye was cast on Carter's January proposal. The reaction was skepticism, and this contributed to plummeting financial markets early in 1980. Interest rates on three-month Treasury bills rose from 12 to 15.5 percent between January and March. Bond and stock prices fell precipitously.

President Carter withdrew his budget seven weeks after it was submitted and began an extensive series of conferences with members of Congress on an acceptable alternative. The chairmen and members of the Budget Committees played a major role along with the leadership of Congress in these negotiations. After President Carter submitted his revised budget in March, the Budget Committees took advantage of this enhanced role and supported a first concurrent resolution that included reconciliation instructions directing eight House and ten Senate authorizing committees to report legislation reducing outlays by over $6 billion in 1981. Tax committees were instructed to raise more than $4 billion in revenues. These actions were only a small part of those needed to balance the budget as promised in the resolution.[9] The committees were instructed to report legislation within a few weeks of the first resolution, which passed in June 1980.

The move to cut spending stalled in the middle of 1980. The recession coupled with an election led to a stalemate. The Senate passed a reconciliation bill in July and the House passed its quite different bill in September. The conference committee, which numbered over one hundred, repeatedly deadlocked and did not pass the reconciliation act until early December after the long-delayed second budget resolution was voted.

The Omnibus Budget Reconciliation Act of 1980 was a disappointing piece of legislation. Since the reconciliation instructions included in the first concurrent resolution specified savings targets for fiscal 1981 only, a number of committees "complied" by drafting changes in law that shifted expenditures from 1981 to

[9] Further savings were assumed to be made on appropriations. As a safeguard, the first resolution called for delaying the transmittal to the president of appropriations bills that exceeded the resolution targets until a second resolution had been approved.

future years. Other committees included legislation that actually raised spending in some programs to partly offset cuts made. A reduction in cost-of-living adjustments for federal civilian and military retirees that passed the Senate was dropped by the conference. In all, the Omnibus Budget Reconciliation Act provided $4.6 billion in outlay reductions and $3.6 billion in new taxes, for a total deficit-reduction package of about $8 billion, well under the action needed to balance the budget as originally intended.

Two additional innovations in the fiscal 1981 congressional budgetary process are worth noting. First, both houses of Congress made a start on multiyear budgeting. The budget resolutions incorporated budget targets for the out-years fiscal 1982 and 1983 as well as for the budget year 1981, but each house set different targets for future years. Second, for the first time levels of federal credit activity were specified. This "credit budget" attempted to curb the total volume of both new direct loans and guaranteed loan commitments of federal agencies by requesting that appropriation limitations be extended to all federal credit activity. Such actions were intended to increase control since many federal credit activities are subject to weak limits imposed by authorizing legislation that sets the terms of loans, by executive discretion or even by market demand. As in the early years of the new budgetary process, however, these "credit limits" were revised during fiscal 1981 to conform to what was happening to federal credit, rather than the other way around.

The Reagan Revolution

In many ways the stage had been set for President Reagan's entrance. Over time, the Budget Committees had increasingly extended their roles in and influence over budgeting outcomes. A major procedural breakthrough had been made in 1980 when reconciliation instructions were incorporated in the first concurrent resolution. And yet the Stockman-directed progress of President Reagan's budgetary legislation through the summer of 1981 is regarded by many as a revolution because of the size and scope of the changes made and the threat they pose to hallowed congressional procedures.

Within about seven weeks of taking office, President Reagan sent Congress a full-blown set of budget revisions for fiscal 1982 and beyond. The most controversial proposals were an increase in spending for national defense, a reduction in business and personal taxes, and a huge cut in federal nondefense spending. The administration, with the support of the Republican-controlled Senate Budget Committee, sought to carry out as much of the spending reduction program as possible in the form of reconciliation action. The Senate in late March (just a few days after the president's budget revisions were submitted) passed a resolution instructing its committees to make major budget cuts.

These instructions were incorporated in the Senate's first concurrent resolution (which passed in May). The House proceeded along a more conventional track. The Budget Committee reported a first concurrent resolution that included reconciliation instructions. This resolution, which bore the stamp of Chairman James R. Jones, was challenged on the floor of the House by a substitute resolution cosponsored by Delbert L. Latta (the ranking Republican on the House Budget Committee) and Phil Gramm (a Democratic member of the committee and a leader of a group of conservative Democrats called "Boll Weevils"). Gramm-Latta I, as the budget resolution became known, passed the House in late May, after an apparently effective presidential television plea for it. The Senate passed an equivalent resolution the next day.

Gramm-Latta was monumental in a number of respects. First, it contained instructions for budget reductions addressed to fifteen House committees and fourteen Senate committees. The instructions specified amounts to be saved for fiscal years 1982, 1983, and 1984. This multiyear focus was designed to avoid the temporary cosmetic cuts of the previous year's legislation and to complement the administration's multiyear tax-cutting plan. Second, the outlay reductions totaled $36 billion, $47 billion, and $56 billion for the three fiscal years, over 8 percent of nondefense, noninterest outlays. These sums were several times larger than previous reconciliation actions. Third, the reconciliation savings were to be made in two types of authorizing legislation: entitlements and discretionary programs. For entitlement spending, a reconciliation directive to the authorizing committee is recognized as the only way to impose restraint since subsequent appropriations are perfunctory. But spending for other programs (for example, grants to states for education programs) can be limited either by proposing limits on annual appropriations or by the much stronger measure of directing the committee that authorized the program to lower the authorization ceiling over several years. The latter arrangement was a feature of Gramm-Latta (and was not part of the Jones proposal that was defeated).

The congressional committees responded to the reconciliation instructions by submitting legislation affecting 250 different federal programs.[10] Arguing that some of the changes proposed in the House showed a "clear danger of Congressional backsliding and a return to spending as usual,"[11] the administration quickly fashioned an alternative reconciliation bill, called Gramm-Latta II, to replace the work of several committees. Gramm-Latta II, like its predecessor, narrowly passed the House, after gaining support from the Boll Weevils and a group of moderate Republicans called "Gypsy Moths" who demanded and received certain concessions from the administration. After an efficiently run conference, the president in August signed the Omnibus Budget Reconciliation Act of 1981, an inch-thick compendium of twenty separate titles covering a range from Agriculture and Forestry to Health Professions. The law changed entitlement program eligibility rules (for example, for food stamps), limited the amounts authorized in scores of programs for 1982–84, rewrote major parts of substantive law having little effect on the budget (for example, for radio and TV broadcasting), and probably did a few other things that have not been discovered yet.

This extraordinary law was debated on the floor of the House for two days. There were no hearings at all on some sections of the law. The possibility of amending the bill was strictly limited, and it was voted on in a single vote, not section by section.

The reconciliation act's companion legislation, the Economic Recovery Tax Act of 1981, was meanwhile wending its way through the Senate Finance Committee and the House Ways and

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[10] One committee, the House Energy and Commerce Committee, could not agree on a response. Its chairman forwarded Democratic proposals to the House Budget Committee. It is not clear what sanctions can be taken against a committee that refuses to comply—other than the Budget Committee writing its own legislation.

[11] Ronald Reagan, "The President's News Conference of June 16, 1981," *Weekly Compilation of Presidential Documents*, vol. 17 (June 22, 1981), p. 632.

Means Committee. The first concurrent resolution had set targets for tax cuts for 1982–84. A period of negotiation between the White House and the Democratic chairman of the Ways and Means Committee, Congressman Dan Rostenkowski, had produced no agreement, especially on the size and phasing-in of a personal income tax. Accordingly, the administration decided to attract enough Boll Weevil votes to its side to command a majority in the House by offering to include tax changes that would appeal to them. Rostenkowski countered with additional lures to keep the Boll Weevils in the fold. OMB Director Stockman characterized the resulting scramble as: "The hogs were really feeding. The greed level, the level of opportunism, just got out of control."[12] Despite this, the Economic Recovery Tax Act complied with the revenue reduction limits in the first concurrent resolution, although the act's tax cut for 1985 (which was deepened by adding indexation of the individual income tax in that year) probably went beyond what the supporters of the concurrent resolution had envisioned.

Aftermath

Congress adjourned in August. The members heard from constituents about high interest rates, and they had time to think about what had transpired in the first half year of budget policy under President Reagan. Congress prides itself on being a deliberative body. The helter-skelter of enacting reconciliation and the tax bill was the opposite of a careful legislative process. The modus operandi of the Congress had for a long time been: the work is done by committees that share power. In 1981 the Senate had ceded full control to the Budget Committee, and in the House the committee proposals for reconciliation had been thrown out. The main function of Appropriations Committee members had been as watchdog on the Treasury. But the reconciliation process had given the play to the Budget Committees and the authorizing committees, leaving Appropriations a cipher. Members of Congress like to show their expertise and independence by sponsoring amendments and the like, but the whole legislative show in 1981 had boiled down to two votes for or against President Reagan's entire program. These concerns, as well as uneasiness about the economy, presaged trouble ahead.

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[12] As quoted in Greider, "Education of David Stockman," p. 51.

The president's initial budget plan had contemplated program cuts to be made in areas not covered by reconciliation. So had the first concurrent resolution on the 1982 budget. The exact size of these cuts was a matter of confusion, in part because the president's cuts were measured from a baseline different from that used in reconciliation. Moreover, some of the members of Congress who had been lured into the administration's camp for the reconciliation thought they had been promised some relenting in the pursuit of further cuts.

Against this backdrop came the Reagan administration's fall offensive. A new package of budget cuts encompassing entitlement reductions, appropriations reductions, and even some "revenue enhancement" was announced by the administration on September 24 (incidentally making it absolutely impossible to meet the deadlines set by the 1974 act). The program was not well received by Congress. The entitlement package was never even formally introduced and the tax enhancers were withdrawn. The administration decided, however, to make yet another fight over its proposed across-the-board (with some exceptions) reductions in appropriations.

When the fiscal year began on October 1, no appropriations bills had been signed into law.[13] As a result, the entire government was being funded under a continuing appropriation law. The first continuing appropriation resolution, signed into law on September 30, is a relatively short document setting limits on the commitment of funds for the first part of the year. Instead of specifying appropriations on a line-by-line basis as in ordinary appropriations laws, the resolution sets spending limits by mechanical rules. Thus the limit on spending for each program is as follows: if both houses have passed an appropriation for that program, it may operate at the lesser of the two appropriated amounts; if only one house has passed an appropriation, spending may continue at the lesser of the appropriated amount or the "current rate." The

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[13] The legislative branch appropriation was incorporated into the first continuing appropriation resolution.

Table 7-2. Status of Fiscal Year 1982 Appropriations, as of March 15, 1982

Budget authority in billions of dollars

Title of appropriation	*Date enacted*	*September administration request*	*House bill*	*Senate bill*	*Final action*	*Difference between final action and administration request*
Agriculture and related agencies	12/23/81	22.3	22.7	22.9	22.6	+0.3
Defense Department	12/29/81	200.9	197.4	203.7	199.9	−1.0
District of Columbia	12/4/81	0.6	0.5	0.6	0.6	*
Energy and Water Development	12/4/81	12.1	13.2	12.8	12.5	+0.4
Foreign Aid	12/29/81	7.8	7.4	7.3	7.5	−0.3
HUD, Veterans, NASA	12/23/81	58.7	62.6	60.5	60.4	+1.7
Interior and related agencies	12/23/81	6.4	11.1	7.4	7.2	+0.8
Legislative Branch	10/1/81	1.4	1.1[a]	0.9[a]	1.3	−0.1
Military Construction	12/23/81	7.3	6.9	7.3	7.1	−0.2
Transportation and related agencies	12/23/81	9.8	11.1	10.4	10.1	+0.3
Subtotal		327.3	334.0	333.8	329.2	+1.9
Labor, HHS, Education	. . .	82.5	85.2	84.8[b]	. . .	. . .
State, Justice, Commerce, Judiciary	. . .	8.2	8.7	8.6[b]	. . .	. . .
Treasury, Postal Service, General Government	. . .	9.1	9.7	9.4[b]	. . .	. . .

Sources: *Congressional Quarterly Weekly Report*, vol. 40 (January 16, 1982), p. 103; and *Weekly Compilation of Presidential Documents*, vol. 17, nos. 43–53 (October 26, 1981–January 4, 1982).

* Less than $100 million.

a. House bill excludes cost of Senate operation and vice versa.

b. Committee approved amount.

current rate generally means the rate of the previous fiscal year.[14] The first continuing appropriation set an expiration date of November 20, 1981, in the expectation that regular appropriations laws, which supersede continuing appropriations, would be on the books by that time.

As it turned out, very few appropriations—and none of the major ones—had been passed by Friday, November 20, because of the continuing controversy over the administration's fall-offensive cuts, and a second continuing appropriation was needed. The Congress agreed on such a bill at the final hour and sent it to President Reagan. Over the weekend of November 21–22, President Reagan decided to veto the continuing resolution and did so on Monday, November 23. As a result, federal offices throughout the country closed that day, nonessential workers were sent home, and President Reagan and members of Congress (who stayed on the job—their appropriation had passed) got together that same day on a compromise extension of the continuing resolution until December 15. On December 15, with few appropriations yet enacted, still another continuing appropriation was passed until February 15, 1982.

By the end of December 1981 most appropriations laws (though not the biggest nondefense one, for the Departments of Labor, Health and Human Services, and Education) had been signed into law. As indicated in table 7-2, the administration was forced to accept some increases over its fall proposals in the appropriations that passed. In defense and foreign aid, appropriations were below the administration's request; but the Agriculture, Interior, and combined Housing and Urban Development, Veterans Administration, and National Aeronautics and Space Administration appropriations exceeded the administration's request. So far, total appropriations for fiscal 1982 are about $1.9 billion above the administration's fall proposals. For the major appropriations not passed at the time of this writing, it appears that another $3 billion will probably be added. (These comparisons are for budget authority; differences in outlays would be smaller.) While it is probably true that these discretionary appropriations would have been even higher if the administration had not waged a fall offensive, it is clear that President Reagan's total mastery over budgeting began to erode in the appropriations process. It is also evident that the patent disregard for the Appropriations Committees' prerogatives in the reconciliation process stiffened these committees' resistance to further cuts.

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[14] Even so, "current rate" is an ambiguous term because "the" rate of the previous fiscal year may be quite different rates for each quarter (which is generally the period over which the OMB apportions appropriations to agencies) and the final quarter of the fiscal year may not reflect what the Appropriations Committee intends as the limit for the next period.

It is universally agreed that operating a large part of the government under continuing appropriations is a most unsatisfactory way of doing the public's business. First, because the continuing resolution is simply a set of general rules to limit spending, it tends to perpetuate spending patterns that conform to no one's preferences and it can lead to unintended consequences. For example, if one house of Congress passes a low appropriation for a particular program, quite conceivably as a result of a vendetta by one member of the Appropriations Committee, that low appropriation governs the program no matter how high the other house sets it. On a regular appropriation, matters such as this as well as simple mistakes are taken care of in conference before a final bill is approved. Second, continuing appropriations lead to even greater managerial inefficiency than is customary in government activities. When an agency manager does not know what level of funds will be available for the whole fiscal year, the inevitable tendency is to be cautious in committing funds. Contracts are not let early in the year, to ensure that funds will be available later in the year. Then when the full appropriation is finally voted, there is frantic activity to commit funds before they expire. On some accounts, particularly those pertaining to salaries and expenses of employees, the tendency is to be optimistic: don't fire anybody until it is absolutely necessary. If the optimism proves to have been false when the full appropriation becomes law, the agency may have to fire too many people or furlough (put on unpaid leave) an entire staff. There is ample evidence that this kind of behavior was developing as fiscal 1982 unfolded.

The legislative history of the 1982 budget ended on a sour note. In November, in the midst of the dispute over the administration's reductions in appropriations and well after it had become evident that economic events had transformed the projected budget outcomes of the first concurrent resolution, both houses passed a second concurrent resolution. Instead of acknowledging the sharply changed economic circumstances and reaching some decision on appropriations still outstanding, the second concurrent resolution simply rubber-stamped the outdated first resolution. In effect, Congress decided to put over into calendar 1982 any further decisions on the budget.

Retrospective

The six years that the new congressional budget has been in effect cover a rough period in the nation's economic history, encompassing a recovery from the worst recession since the 1930s, the onset of high and highly variable inflation and interest rates, and the beginning of a period of retrenchment in federal spending. The congressional budgetary process has emerged from this period with some scars, but with the solid achievement of having proved resilient to changing needs. Stimulating the economy called for accommodative Budget Committees, but as the economic and political trend moved toward spending restraint, the control mechanism was strengthened. When a president needed support in making a credible budget, the budgetary process provided an opportunity for joint action with the Congress, but it also provided room for a confrontation when the parties differed sharply. Such resilience could be interpreted as a lack of discipline, a process with no firm direction. But a more accurate lesson to be learned is that economic and political circumstances do change and a flexible procedure is needed to allow changes in direction.

Prospects for Peaceful Reform

The budgetary history of the last few years raises two kinds of questions for the future. First, how will budget procedures affect the decisions to be made in the coming year? Second, what modifications in budgetary processes should be made in the longer term?

Stalemate and Its Alternatives, 1983

Congressional action on President Reagan's 1983 budget is uncommonly difficult to forecast. The public and Congress seem to agree that the projected deficits (especially if adjusted to more realistic economic assumptions than those of the administration) are too high, but there is little evidence of a consensus on how to lower them. The major disagreements are over whether to raise revenues or lower outlays and which types of spending and taxing should bear the brunt of the burden. The prospects for a repeat performance by President Reagan in securing substantially complete acceptance of his budget seem remote. On the other hand, expecting Congress to fashion a budget entirely on its own is unrealistic. Any group in Congress that takes the lead on formulating a package—which would necessarily involve both higher taxes and major program cuts—would face the attendant political danger of being blamed (possibly by the president) for being the enemy of the elderly or the taxpayer, among others. It is hard to imagine that many congressmen would relish that role, and it is nearly inconceivable that the Democratic chairmen of the House Budget Committee and the Ways and Means Committee, who lost out to President Reagan in 1981, would voluntarily take that chance again.

Another possibility is that the president and Congress will agree to compromise. A bipartisan coalition in the Congress and the president would concur on a set of budgetary actions perceived as being built on the president's plan but with significant modifications. The agreed-upon package would almost certainly require a single vote since the individual parts of it could not pass in an election year; accordingly, such a package would probably take the form either of firm reconciliation instructions or even of specific legislation attached to some other bill, such as an impending act to raise the limit on the public debt. These shortcuts would further erode the conventional way of doing business in Congress; thus opposition should be expected not only on substantive and partisan political grounds but also on procedural ones. This is a substantial number of hurdles to get over.

If an agreement is not reached, a stalemate is possible. Unlike other legislative action, a budgetary stalemate does not mean that nothing happens. In this case it would probably mean passing a first concurrent resolution on the budget that did not contain mandatory instructions to authorizing committees to come up with budget-saving legislation, and it might mean passing some appropriations that would greatly exceed the president's proposals, which would then be vetoed. (Or the Appropriations Committees could fail to act at all.) By October 1 a continuing resolution covering spending for most of the agencies and extending through the November election would be needed. Essentially stalemate means that the difficult budget decisions of early 1982 would be pushed ahead to a postelection session of Congress, where a clearer consensus might emerge. This scenario appears to be fraught with great risks to the economy as the uncertainty about the budget stretches out over months, and it greatly increases the possibility of a radical reaction to what will be perceived as an intractable budget mess. One such radical solution—a constitutional amendment to balance the budget—is discussed below.

It is important to end this account with the reminder that, if there were a solution to the budgetary impasse that commanded strong popular support, the budgetary process in the Congress would not stand in its way. Even with presidential opposition, one can imagine the congressional leadership riding the crest of a popular wave to beat back whatever fragmentary congressional opposition to a popular outcome developed. The Congressional Budget and Impoundment Control Act is proof that Congress, acting alone, can undertake changes that roil customary legislative relationships. Only when an attempt is made to preempt traditional legislative procedures with legislation that does not enjoy wide popular support does the system seem to fail. Should stalemate ensue in 1982, the blame should rest more on the failure to reach a consensus than on a shortcoming of the budgetary process. Indeed, the only hope of a better outcome lies in the budgetary process forcing all parties to attempt to reach such an agreement.

Longer-Run Reforms

When the current budget crisis subsides, attention will turn to reexamination of the procedures by which Congress tackles the budget. Many members of Congress object to the steps taken in recent years as being an effort to make the Budget Committees all-powerful, thereby challenging the shared-power tradition and even raising questions about the role of party leadership in Congress. These members would like to curb the Budget Committees and make them responsive to the views and actions of other committees.

Such a reversion to past procedures makes the most sense if future Congresses are uninterested in budgetary control but are mainly concerned with retuning priorities in a growing budget. In that case, enhancing the power of specialized committees would build on their strength in conducting full reviews of existing and proposed programs, considering legislative alternatives in detail, ascertaining the views of interest groups, and building constituent coalitions for government programs. These are functions that a budget committee, no matter how hard-working, cannot accomplish as effectively. The Budget Committees' role in this more traditional congressional arrangement would be to set fiscal policy and dollar limits on broad priorities; this primary function of coordination probably implies some revision of the congressional calendar (to allow time for a sensible debate on priorities), some consideration of the process of setting economic assumptions (so that the fiscal plans of each Budget Committee and the president's proposal are not being measured differently), and some better system for reducing each committee's incentives to get as much of the budget pie as it can. These changes would be marginal; the budgetary process could revert to what it was in 1976–79.

Procedural changes directed toward strengthening budget control, on the other hand, make the most sense if one envisions the environment of the future as one of heightened attention to slowing expenditure growth and cutting deficits. The crucial procedural innovation of the last few years—reconciliation early in the budget decision process—seems essential to any move to strengthen control. Because the predominant message for the congressional committees in this austerity scenario is that spending be cut and taxes raised, it is unrealistic to expect such measures to be put into effect unless committees are forced to act. This is the primary function of reconciliation: it allows Congress as a whole to order its committees to take actions.

Early reconciliation does not have to follow the pattern set by David Stockman in 1981. The coverage of reconciliation instructions, in particular, may have gone overboard in that year. To control entitlement programs, there is general agreement that early reconciliation is a must. Authorizing committees are the only agents that can effect restraint by rewriting the laws, and they need external direction and adequate time. For the parts of federal spending that are not governed by entitlements, the most direct avenue of control is appropriations, not underlying laws, as in the 1981 reconciliation. Efforts to control appropriations by reconciling them in the second concurrent budget resolution at the end of a budget cycle are futile. Effective control of appropriations would mean that mandatory limits would have to be moved up to the first concurrent resolution. Since current budgetary procedures already contain a mechanism for providing dollar guidance to the Appropriations Committees,[15] all that would have to be done is to make such guidance mandatory, probably by moving the dollar limits into the budget resolution and stating them as instructions rather than guidance. Naturally, this procedural reform would not solve the problem of the Appropriations Committees shifting funds out of one budget year into the next; the simplest solution would be to move toward two-year appropriation bills (and two-year mandatory instructions in the first budget resolution) in pertinent parts of the budget.

Early reconciliation and early mandatory limits on appropriations would strengthen budgetary procedures, but they might create new problems that required further adjustments in the process. One of these is the timing of the first budget resolution. If the first resolution is to be the vehicle for mandatory spending cuts and tax increases, a case can be made for pushing the deadline for the resolution beyond May to give the budget committees time to digest the views of the president and of the committees. A case can also be made that the resolution should be issued before May to give working committees time to hold hearings, consult experts, and deliberate before writing the laws. No one wants to repeat the haste of legislation in 1981. Since the length of a year is immutable, both of these timing changes cannot be made.[16] One school of thought holds that the solution is a biennial budget. The first year would be devoted to events leading up to a first concurrent resolution and the second to carrying out that resolution by issuing two-year appropriations. This idea has some obvious problems relating to economic forecasts (see footnote 16) and to the timing of elections and presidential transitions.[17]

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[15] The mechanism is the allocation of dollar limits by committee under section 302 of the Congressional Budget and Impoundment Control Act.

[16] Starting the new fiscal year in January rather than October to lengthen the decision period is regarded as out of the question, if only because economic forecasts would have to be made so far in advance that they would be less credible than they are now

Another aspect of budget reform intended to strengthen existing procedures relates to the coverage of the budget and the scope of its control. The most obvious, though not widely recognized, weakness here is that current budgetary procedures are asymmetrically weak in dealing with taxation. Budget resolutions spell out spending limits by function while the only tax guidance offered is a single number for the amount revenues are to be raised or lowered. While there is a legislative-structure reason for this imbalance[18] and the tax committees' hegemony inspires awe, stronger budget control implies greater detail in the budget resolution on the kind of tax changes it seeks. This could be accomplished by specifying broad targets by tax type (for example, income tax or excise tax) or by functional breakdown of tax expenditures (for example, to eliminate subsidies that the tax system gives to health and to housing). Along the same lines, centralized budget control could be strengthened by tighter controls on federal credit activities. For example, Congressmen Norman Y. Mineta and Edwin R. Bethune, Jr. (and 150 cosponsors) have suggested in House bill 2372 that targets for new direct loan obligations and loan guarantee commitments be incorporated in the first budget resolution and that the second resolution set binding limits on legislative activity pertaining to loans. The Mineta-Bethune bill would also require extensive reports on the status of federal credit activity and its relation to monetary policy from the Treasury and the Federal Reserve Board. Of equally serious concern for control are off-budget entities, but here the major activity is that of one organization, the Federal Financing

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[17] If a two-year cycle commenced in October of even-numbered years, President Reagan's first budget proposal made with the help of a full staff would be for the two years starting in October 1984, only a few months before his term expires. Starting in an odd year interposes a congressional election in the middle of the two-year deliberative process.

[18] A single spending number could not be allocated among the various committees, but the functional breakdown in the budget resolutions makes this feasible. However, there is only one tax committee in each house, so a single revenue target can be allocated to its proper committee.

Bank, and it can be dealt with in a number of ways that do not entail revamping budgetary procedures.[19]

The long list of reforms considered under this heading of strengthening budgetary procedures requires two cautionary notes. First, if all the reforms were implemented, the process might fall from its own weight. The work load from existing procedures is already heavy, and a new calendar, stronger directions, broader coverage, and so on could bring sheer confusion and weaken the whole structure. Second, it seems ludicrous to fortify congressional procedures for pinpointing fiscal policy decisions and fine-tuning federal credit activities without giving serious consideration to how these decisions interact with monetary policy. As chapters 2 and 6 of this book illustrate, setting standards for fiscal policy requires some understanding of, and presumably influence over, general monetary and credit conditions. There are now only weak links between Federal Reserve decisions and the budgetary process—mostly consisting of the central bank informing Congress of its goals and accomplishments—and no forum for arriving at the appropriate policy mix. This of course stems from a long tradition, but since we are breaking with the past in so many other ways, maybe it is time for a review of congressional control over money and credit.

A Constitutional Amendment to Balance the Budget

The most radical approach to changing budgetary procedures would be replacing the annual assessment of fiscal alternatives with a fixed external rule, such as a constitutional requirement that the budget be balanced each year. This approach is generally favored by those who feel that the present system is biased toward excessive growth of government and deficit financing of public expenditures. The adoption of a constitutional amendment to balance the budget would considerably change existing budgetary procedures and other aspects of running the government.

One version of a constitutional amendment has passed the

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[19] See Congressional Budget Office, *The Federal Financing Bank and the Budgetary Treatment of Federal Credit Activities* (CBO, 1982); and Andrew S. Carron, "Fiscal Activities outside the Budget," in Joseph A. Pechman, ed., *Setting National Priorities: The 1982 Budget* (Brookings Institution, 1981), pp. 261–69.

Senate Committee on the Judiciary and seems to gain momentum each time a budgetary target is missed or a deadline is not met. The amendment also seems to have election-year appeal because it offers members of Congress a chance to vote for the popular balanced budget without having to cut programs or raise taxes. Senate Joint Resolution 58 provides for a balanced budget by requiring Congress to adopt before the start of each fiscal year a "statement" (budget) in which planned outlays are no greater than total receipts. It also requires that the planned receipts of the budget grow no faster than national income grew in the previous (calendar) year. The final control is that "the Congress and the President shall ensure that actual outlays do not exceed the outlays set forth" in the budget statement. The amendment would allow a simple majority of each house of Congress to waive the receipts-growth clause, while a 60 percent vote in each house would be needed to approve a planned deficit.[20]

Obviously many facets of such a balanced budget amendment warrant extended discussion. Several criticisms can be listed. Eliminating discretionary fiscal policy might spur undue reliance on other aggregate control measures. Strict control of spending could shift attention to regulation as an alternative or to credit activities unless control over them was strengthened. The amendment's weak guidance for the rate of growth of receipts could make estimating receipts an even more political exercise than it is now. The case for the amendment boils down to a belief that history demonstrates that nothing less will bring about a balanced budget.[21]

One aspect of Senate Joint Resolution 58 directly impinges on budgetary procedures. The stipulation that the president and Congress ensure that actual outlays do not exceed planned outlays would seem to require a whole new set of budget-policing procedures. Currently the entire budgetary process is based on guiding legislation (authorizations or appropriations) that set upper limits on the commitment of funds over a certain period. The actual amount spent as a result of such commitments—outlays—is not directly controlled by existing procedures. Actual outlays either for a particular program or in the aggregate may exceed planned outlays for any number of reasons: an unforeseen economic or natural event, unexpectedly rapid completion of contracts, incorrect projections of case loads, prices, or interest rates, and so on. These factors would still exist under a constitutional amendment, so there would have to be an enforcement mechanism to ensure that if a preponderance of the uncontrolled items were overrunning the planned outlay level, some underruns would be available for offset. In practice, this would almost certainly mean that Congress would have to delegate to the president the power to make such adjustments.[22] If Congress made such a delegation with no constraints, this would give a president broad license to impound (not spend appropriated) funds, which ironically was the "abuse of power" (by President Nixon) that brought on budget reform in the first place. Giving the president a line-item veto, a measure favored by President Reagan, would have a similar effect. An alternative possibility would be for Congress to delegate the power to impound subject to limits on how much any particular program could be cut. This, in turn, is the equivalent of agencies living under an insecurity similar to that of a continuing resolution: not knowing in advance how much they will have to spend.[23]

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[20] There is also a specific waiver for a declaration of war and a section forbidding Congress to require states to "engage in additional activities" unless the federal government puts up all the necessary funds. See *Balanced Budget–Tax Limitation Constitutional Amendment*, S. Rept 97-151, 97 Cong. 1 sess. (Government Printing Office, 1981), p. 2.

[21] For a fuller discussion of the pro's and con's of a balanced budget amendment, see Bruce K. MacLaury, "Proposals to Limit Federal Spending and Balance the Budget," in Joseph A. Pechman, ed., *Setting National Priorities: The 1980 Budget* (Brookings Institution, 1979), pp. 213–23; and Alvin Rabushka and William Craig Stubblebine, eds., *Constraining Federal Taxing and Spending* (Hoover Institution, forthcoming).

A constitutional amendment would greatly change federal budgeting. It would inevitably shift more power to the executive branch and would focus more attention on matters such as the budget being on target (just as public attention now focuses on money supply growth being on target) and less attention on broad

[22] Congress could assign a committee the power to ensure that actual outlays stayed on target or it could regularly appropriate so little that an overrun could not occur. Neither approach would last long: committees have no executive power, which is necessary to control outlays, and sham outlay estimates are sitting ducks for frustrated spending committees.

[23] It is actually a greater insecurity because a continuing resolution creates uncertainties about the level of funds an agency can *commit* while the balanced budget amendment creates uncertainty about *spending*, something that most agencies have much less ability to control.

budget policy goals. For more than just the obvious reasons a constitutional amendment would therefore open a new chapter on how the federal government conducts its operations.[24]

Conclusion

The preoccupation of this chapter with budgetary decisionmaking processes should not divert attention from the real issues behind the policy crisis. Government officials are seeking to find a noninflationary way to move massive amounts of resources from consumer industries to investment and defense industries, from the public to the private sector, from Washington to the state capitals, from the dole to wages and dividends, from the current standard of living to the nation's future well-being. Under the best of circumstances, these changes would be hard to bring off. The fact that we are attempting to move very fast only heightens the dislocations that change always brings. Add in a partisan political environment and a Hippocratic ethic for politicians ("Do no harm") and you have a recipe for stalemate or a hypocritical compromise ("Do no electoral damage").

No budgetary process or external imperative can make tough decisions easy. The present procedures have proved flexible enough in the past to accommodate a variety of economic circumstances. As economic and political changes have made a shift to greater restraint in public spending seem desirable, budgetary control procedures have been strengthened and the shift has been carried out. The budgetary process would help any grand compromise reached in 1982 between the president and Congress by providing a legislative vehicle that forced all parties to such an agreement to join. And the process can be strengthened for future years by formally incorporating early reconciliation and increasing the scope of budget resolutions. Or it can be put back to the guidance procedures of budget reform's early years. The choice will depend on the expected need for tightness of budgetary control.

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[24] If two-thirds of both houses of Congress approved an amendment like Senate Joint Resolution 58, it would then have to be ratified by three-quarters of the state legislatures and would take effect in the second fiscal year after ratification. Since the amendment takes spending and taxing for the preceding year as a base, budgeting up to the effective date would probably be very divisive.

A constitutional amendment to balance the budget at bottom expresses a lack of faith that Congress can achieve budgetary control and a strong belief in the importance of such an achievement. The difficulties of reaching a budget compromise in 1982 have apparently created a climate where voting for a constitutional amendment to balance the budget is an easy vote for an esteemed goal. In reality, such an amendment would bring about profound changes in the government, not all of which are intended by its proponents.

Statement of Senator Dole

Committee on the Budget

September 23, 1982

Mr. Chairman--

I am sure that some would say that people have heard enough about the budget and the budget process this year. There is no question that those topics have dominated political discussion to an unprecedented degree. I do think, however, that you and your Committee are performing a valuable service by setting aside this time to receive testimony on the budget process and possible budget reforms. After 20 months of hard-fought budget battles, and severe testing of our mechanisms for setting fiscal policy, it makes sense to stand back a bit and consider what we have done that is good and what might be done better. That is the purpose of these hearings as I understand it, and I am pleased to have the opportunity to say a few words about where the budget process may be headed.

Period of Innovation

First, it may be helpful to take a brief look back at where we have been in this Congress. There should be little doubt, despite some of the controversy surrounding our recent budget actions, that the budget process has been more effective than ever before in the 97th Congress. Notwithstanding the record deficits that so concern us all, we have made more real progress on getting spending under control than at any time since the budget act was signed into law. The figures bear out that simple fact: Federal spending grew at a rate of 17.4 per cent in 1980, but spending is expected to show growth at only about [illegible]

PER CENT RATE. BY HEWING FAITHFULLY TO THE BUDGET PLAN WE HAVE ADOPTED FOR FISCAL YEAR 1983, INCLUDING BOTH THE RECONCILIATION BILL ALREADY PASSED AND THE APPROPRIATIONS BILLS COMING UP, THE RATE OF GROWTH OF FEDERAL SPENDING SHOULD BE DOWN TO 7.5 PER CENT BY 1985. DESPITE OUR DEFICIT WOES, THIS IS MAJOR PROGRESS ON THE SPENDING SIDE OF THE LEDGER.

NOW, WE ALL KNOW THAT WE STILL HAVE MAJOR FISCAL PROBLEMS ON OUR HANDS. WE COULD SPEND MONTHS DEBATING WHETHER PROJECTED DEFICITS ARE DUE TO RECESSION, TO OUR ANTI-INFLATION POLICY, OR PARTLY TO OUR TAX PROGRAM. BUT IT IS NOT SO IMPORTANT THAT WE ASSIGN BLAME FOR THE PROBLEM; THE REALLY IMPORTANT THING IS WE CHOOSE THE RIGHT POLICY FOR DEALING WITH THE DEFICITS AND TAKE FORTHRIGHT ACTION TO DO SO. IN THAT CONNECTION, I BELIEVE IT IS VITALLY IMPORTANT THAT WE PRESERVE THE GAINS WON SO FAR IN THE BUDGET BATTLE, AND MAINTAIN MOMENTUM FOR FURTHER SPENDING REDUCTIONS THAT MAKE GOOD POLICY SENSE, IN ORDER TO BRING DEFICITS INTO AN ACCEPTABLE RANGE. NOTHING SHOULD BE FREE FROM SCRUTINY.

MR. CHAIRMAN, THE PAST 20 MONTHS HAVE BEEN A PERIOD OF MAJOR INNOVATION IN TERMS OF USING THE TOOLS PROVIDED BY THE BUDGET ACT. SOME OF THOSE INNOVATIONS HAVE MET WITH STRONG OPPOSITION, AND HAVE SPARKED DEBATE OVER THE USE OF THE RECONCILIATION DEVICE FROM THE STANDPOINT OF SEPARATION OF POWERS, THE PREROGATIVES OF COMMITTEE CHAIRMEN, AND THE ROLE OF PARTY LEADERSHIP. SPEAKING AS A COMMITTEE CHAIRMAN--AND ONE WHO OCCASIONALLY FEELS HE IS IN CHARGE OF A SUBCOMMITTEE OF YOUR COMMITTEE--I WOULD URGE YOU, IN REVIEWING BUDGET CHANGES, NOT TO WEAKEN THE RECONCILIATION DEVICE IN ANY SIGNIFICANT WAY. THE FACT THAT RECONCILIATION HAS CAUSED SO MUCH DEBATE IS A CLEAR INDICATION THAT THIS BUDGET DEVICE HAS BROKEN THROUGH THE YEARS OF INERTIA THAT

HAVE INHIBITED TOUGH ACTION ON THE BUDGET. MANY OF US--PROBABLY ALL OF US--WOULD HAVE PREFERRED RELYING EXCLUSIVELY ON TRADITIONAL CHANNELS OF CONSULTATION AND NEGOTIATION BETWEEN COMMITTEE CHAIRMEN, HOUSE AND SENATE LEADERSHIP, AND ADMINISTRATION REPRESENTATIVES. IN FACT, WE HAVE RELIED HEAVILY ON ALL THOSE TRADITIONAL PROCEDURES AS WELL. BUT THE DECISIVE FACT IS THAT RECONCILIATION HAS FORCED DECISIONS ON THE OVERALL BUDGET THAT ABSOLUTELY HAD TO BE MADE. WHILE THE PROCEDURES CAN AND WILL BE REFINED IN THE YEARS AHEAD, I AM ABSOLUTELY CONVINCED THAT A STRONG RECONCILIATION DEVICE IS AN ESSENTIAL ELEMENT OF ANY EFFECTIVE BUDGET STRATEGY.

POSSIBLE NEW APPROACHES

MR. CHAIRMAN, I KNOW THAT DURING THE COURSE OF THESE HEARINGS YOU ARE CONSIDERING A NUMBER OF SPECIFIC LEGISLATIVE PROPOSALS TO REVISE THE BUDGET PROCESS AND STREAMLINE ITS OPERATIONS. AMONG THE SUGGESTIONS THAT HAVE BEEN ARE A TWO-YEAR BUDGET CYCLE, A DIFFERENT SYSTEM OF CONSULTATION AMONG THE BUDGET COMMITTEES AND THE LEGISLATIVE COMMITTEES, AND CLOSER COORDINATION BETWEEN CONGRESS AND THE EXECUTIVE IN DEVELOPING THE BUDGET. EACH OF THESE PROPOSALS HAS MERIT, AND WHILE I AM NOT PREPARED TO ENDORSE ANY SPECIFIC PLAN AT THIS TIME, I WOULD URGE THE COMMITTEE TO REVIEW THESE PROPOSALS WITH THE GOAL OF FINDING A WAY TO RATIONALIZE THE BUDGET PROCESS AND CUT THE AMOUNT OF LEGISLATIVE TIME WE ARE OBLIGED TO SPEND ON BUDGET MATTERS. MANY OTHERS HAVE MADE THE SAME POINT, BUT IT DOES NEED TO BE STRESSED: WE SPEND TOO MUCH TIME WORKING OUT AND VOTING ON THE BUDGET IN ALL ITS PARTICULARS, AND THERE SHOULD BE SOME WAY TO IMPROVE MATTERS WITH FIRMER DEADLINES, A LONGER BUDGET CYCLE, STRONGER ENFORCEMENT TOOLS, OR SOME OTHER

RETHINKING FUNDAMENTALS

THIS COMMITTEE HAS SERVED US WELL BY FORCING US TO CONSIDER THE BUDGET IN TERMS OF FUNDAMENTAL GOALS OF FISCAL POLICY RATHER THAN JUST GOING THROUGH PROGRAMS ONE-BY-ONE WITHOUT ANY KIND OF COORDINATION. TODAY MORE OF THIS RETHINKING OF FUNDAMENTAL QUESTIONS IS GOING ON THAN AT ANY TIME SINCE THE BUDGET ACT WAS APPROVED.

THE DRIVE FOR A BALANCED BUDGET, OR FISCAL RESTRAINT AMENDMENT AS I PREFER TO CALL IT, IS ONE EXAMPLE OF THAT. THERE IS A WIDESPREAD FEELING THAT WE NEED MORE EXTERNAL CONTROLS OVER BUDGET DECISIONS, BECAUSE CONGRESS HAS ALL TOO CLEAR A TRACK RECORD OF BEING UNABLE TO RESTRAIN SPENDING AND DEFICITS OVER A PERIOD OF YEARS. HOPEFULLY WE ARE BEGINNING TO REVERSE THAT PERCEPTION, BUT WE HAVE A LONG WAY TO GO. INSTITUTIONAL RESTRAINTS ON OUR FISCAL DECISIONS COULD MAKE A BIG DIFFERENCE IN ENFORCING DISCIPLINE YEAR IN AND YEAR OUT. PROPERLY IMPLEMENTED AND ADHERED TO, THEY CAN REINFORCE OUR WILL TO DO THE RIGHT THING AND INCREASE STABILITY AND CERTAINTY OVER TIME. THAT DOES NOT MEAN WE WANT AN ECONOMIC OR FISCAL STRAIGHTJACKET, BUT FIRM AND REALISTIC LIMITS ON OUR OPTIONS DO MAKE SENSE.

FINALLY, MR. CHAIRMAN, LET ME MENTION AN ISSUE THAT I HAVE LONG CONSIDERED IMPORTANT FOR GAINING CONTROL OVER THE BUDGET. THAT ISSUE IS THE ROLE OF THE PRESIDENT IN DEALING WITH CONGRESSIONAL APPROPRIATIONS. IN 1977 I PROPOSED, ALONG WITH SENATOR LUGAR, A CONSTITUTIONAL AMENDMENT TO GIVE THE PRESIDENT ITEM VETO AUTHORITY OVER PARTICULAR PROVISIONS OF APPROPRIATIONS BILLS. I STILL BELIEVE THAT GIVING THE PRESIDENT THIS POWER WOULD GREATLY HELP SHIFT THE BALANCE IN FAVOR OF SPENDING RESTRAINT. NO DOUBT THIS IDEA STRIKES

FEAR IN THE HEARTS OF MANY MEMBERS OF CONGRESS. BUT UNLESS AND UNTIL CONGRESS GIVES SERIOUS CONSIDERATION TO ALTERING ITS RELATION WITH THE PRESIDENT OVER BUDGET MATTERS, CONGRESS WILL CONTINUE TO TAKE THE BLAME FOR OUR FAILURE TO CONTROL DEFICITS. WE MIGHT CONSIDER THAT TO THE EXTENT THAT WE REFUSE TO GIVE THE PRESIDENT MORE OPTIONS IN DEALING WITH THE BUDGET, WE ALSO ASSUME RESPONSIBILITY FOR THE OPTIONS THAT ARE CHOSEN. FOR EXAMPLE, IN THE RECENT DISPUTE OVER THE SUPPLEMENTAL APPROPRIATIONS BILL, AN ITEM VETO POWER IN THE PRESIDENT MIGHT HAVE HELPED CLARIFY THE DEBATE AND BRING IT TO AN EARLIER CONCLUSION. THE PRESIDENT COULD HAVE VETOED SUCH ITEMS IN THE BILL AS HE OBJECTED TO, AND THE DEBATE WOULD HAVE BEEN LIMITED TO THOSE PROVISIONS. THE QUESTION OF WHETHER THE BILL AS A WHOLE WAS A BUDGET-BUSTER WOULD NOT HAVE BEEN THE POINT: THE FOCUS WOULD HAVE BEEN ON SPECIFIC ITEMS AND WHETHER OR NOT THEY WERE CONSISTENT WITH A RESPONSIBLE BUDGET POLICY.

FORTY-THREE STATES GIVE THEIR GOVERNORS AN ITEM VETO POWER, AND BY AND LARGE THE ITEM VETO HAS BEEN FOUND TO BE A USEFUL TOOL IN REGULATING BUDGETS. AS A MATTER OF SOUND PUBLIC FINANCE, AND IN THE INTEREST OF LONG-TERM FISCAL RESTRAINT, I HOPE YOU WILL CONSIDER THE OPTION OF AN ITEM VETO, OR A COMPARABLE CHANGE IN THE AUTHORITY THE PRESIDENT HAS OVER FEDERAL SPENDING. THE BUDGET IS A SHARED RESPONSIBILITY, WHETHER WE LIKE IT OR NOT, AND OUR JOB IS TO SEE TO IT THAT THIS RESPONSIBLITY IS CARRIED OUT AS EFFECTIVELY AS POSSIBLE. WHILE THE SCOPE OF PRESIDENTIAL AUTHORITY IN THIS AREA MAY NOT BE DIRECTLY WITHIN THE SCOPE OF THESE HEARINGS, WHICH FOCUS ON CONGRESSIONAL BUDGET PROCEDURES, THE ISSUES REALLY CANNOT BE SEPARATED: AND THIS PARTICULAR ISSUE DOES MERIT YOUR ATTENTION.

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97TH CONGRESS
1ST SESSION

S. 13

To amend the Congressional Budget Act of 1974 to impose limits on the amounts of total budget outlays and Federal revenues set forth in concurrent resolutions on the budget, to require a two-thirds vote for agreeing to concurrent resolutions on the budget which set forth a deficit, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 5, 1981

Mr. DOLE introduced the following bill; which was read twice and referred jointly to the Committees on Governmental Affairs and the Budget pursuant to the order of August 4, 1977

A BILL

To amend the Congressional Budget Act of 1974 to impose limits on the amounts of total budget outlays and Federal revenues set forth in concurrent resolutions on the budget, to require a two-thirds vote for agreeing to concurrent resolutions on the budget which set forth a deficit, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title III of the Congressional Budget Act of 1974 (31 U.S.C. 1321–1332) is amended by inserting after section 301 the following new sections:

"LIMITATIONS ON TOTAL BUDGET OUTLAYS AND FEDERAL REVENUES

"SEC. 301A. (a) PERCENTAGE OF GROSS NATIONAL PRODUCT.—Beginning with the fiscal year ending on September 30, 1982, the appropriate level of total budget outlays and the appropriate level of Federal revenues set forth in any concurrent resolution on the budget for a fiscal year shall not exceed the following percentages of the gross national product at the close of such fiscal year as projected by the Director of the Congressional Budget Office and reported by him, from time to time, to the Committees on the Budget of the House of Representatives and the Senate:

"(1) 21 percent, for the fiscal year ending on September 30, 1982,

"(2) 19½ percent, for the fiscal year ending on September 30, 1983, and

"(3) 18 percent, for the fiscal year ending on September 30, 1984, and for each fiscal year thereafter.

"(b) NATIONAL EMERGENCIES.—The provisions of subsection (a) shall not apply to a concurrent resolution on the budget for a fiscal year if such concurrent resolution contains a section stating the existence of a national emergency necessitating the waiver of such provisions, but on the question of agreeing, in either the House of Representatives or the Senate, to any such concurrent resolution, or to the report of a conference committee on any such concurrent resolution, the affirmative vote of two-thirds of the Members present and voting, by rollcall vote, shall be required.

"BUDGET DEFICITS

"SEC. 301B. (a) TWO-THIRDS VOTE REQUIRED.—Beginning with the fiscal year ending on September 30, 1982, if the concurrent resolution on the budget for a fiscal year required by section 301, and any succeeding concurrent resolution on the budget for the same fiscal year, sets forth a deficit in the budget as appropriate, or the report of a conference committee on any such concurrent resolution recommends a deficit in the budget as appropriate, on the question of agreeing, in either the House of Representatives or the Senate, to such concurrent resolution or such conference report, the affirmative vote of two-thirds of the Members present and voting, by rollcall vote, shall be required.

"(b) NOT MORE THAN TWO DEFICITS IN 5 YEARS.—Beginning with the fiscal year ending on September 30, 1982, it shall not be in order in either the House of Representatives or the Senate to consider any concurrent resolution on the budget for a fiscal year which sets forth a deficit as appropriate, or the report of a conference committee on any concurrent resolution on the budget which recommends a deficit as appropriate, if, for more than 1 fiscal year out of the preceding 4 fiscal years, total budget outlays exceeded total Federal revenues. In the case of a concurrent resolution on the budget for a fiscal year which is being considered before the close of the preceding fiscal year, the amount of total budget outlays and Federal revenues for such preceding fiscal year shall be based on estimates made by the Director of the Congressional Budget Office and furnished by him, from time to time, to the Committees on the Budget of the House of Representatives and the Senate.

"(c) DEFICITS MUST BE MADE UP IN 2 YEARS.—If for any fiscal year, beginning with the fiscal year ending on September 30, 1982, total budget outlays exceed total Federal revenues—

"(1) the concurrent resolution on the budget for the succeeding fiscal year (or, if necessary, the succeeding 2 fiscal years) shall set forth an amount of appropriate surplus equal to the amount of such excess; and

"(2) it shall not be in order, in either the House of Representatives or the Senate, to consider any concurrent resolution on the budget for the second succeeding fiscal year unless such concurrent resolution sets forth an amount of appropriate surplus equal to the amount of such excess, reduced by the amount by which total Federal revenues exceeded total budget outlays for the first succeeding fiscal year.

For purposes of paragraph (2), in the case of a concurrent resolution on the budget for the second succeeding fiscal year which is being considered before the close of the first succeeding fiscal year, the amount of total budget outlays and Federal revenues for the first succeeding fiscal year shall be based on estimates made by the Director of the Congressional Budget Office and furnished by him, from time to time, to the Committees on the Budget of the Senate and the House of Representatives.".

SEC. 2. Section 904(b) of the Congressional Budget Act of 1974 is amended by striking out "title III or IV" and inserting in lieu thereof "title III (except sections 301A and 301B) or title IV".

○

STATEMENT OF HON. GARY HART, A U.S. SENATOR FROM THE STATE OF COLORADO

HART CAPITAL BUDGET PROPOSAL

Mr. Chairman, I appreciate the opportunity to testify before this Committee on a glaring deficiency in the annual Federal budget process: the lack of a discrete budget for capital expenditures.

Few of us would set out on a long trip without an itinerary, some idea of how much the trip will cost, or a roadmap to tell us how to get where we want to go. Yet, the Federal government spends billions of dollars on public facilities without similarly vital information. In fact, this Nation does not have any long-term, coherent strategy for investing in the public capital that underpins our economy.

Because I believe a Federal capital budget is the primary ingredient in such a strategy, I have proposed several times its inclusion in the annual Federal budget. During Senate consideration of the balanced budget amendment to the Constitution (S.J. Res. 58), I offered a statutory amendment that would:

- Require the budget transmitted by the President and adopted by the Congress to distinguish between capital and operating expenditures.

- Define capital expenditure as a budget outlay used for the construction, acquisition, or rehabilitation of a fiscal asset with a useful life longer than one year. Capital expenditures would include spending for research and development, education, training and retraining, vocational education, and investments in international development.

- Two years after enactment, require the President to transmit, and the Congress to adopt, a budget in which total operating expenditures plus the "annual capital benefit cost" equal total revenues. We would then have a balanced budget unless the President certifies, or a majority of either House of Congress finds, that a budget deficit is necessary to insure the national security or to provide remedies for an economic recession or depression.

By recognizing only the annual capital benefit cost -- the amortized cost in present dollars of the total capital expenditures attributable to that year -- my proposal would ensure that the annual Federal budget considers the true cost of a capital expenditure in that year, rather than the total cost, which should properly be spread across the useful life of the investment. In other words, in our efforts to balance the Federal budget, we should "pay" for capital investments only as we use them, rather than as a lump sum in one year.

I urge this Committee -- and the Congress -- to adopt this "pay as you use" proposal.

Few American families could purchase a house, a car, or a college education if they could not finance -- and distribute -- the costs over time. Similarly, few American businesses could invest in R&D activities or new plant and equipment if they could not obtain long-term financing. Why, then, should the Federal government have to pay for its long-term investments in a single year? As Professor Richard Musgrave of Harvard, perhaps the country's foremost expert in public finance, has said, "... taxes should equal outlays, i.e., the budget should be balanced. Such at least is the case regarding the financing of current public services. Capital expenditures, (like those for public infrastructure), on the other hand, are appropriately loan-financed, with the debt thus incurred amortized over the life of the asset."

Just as the unavailability of long-term financing would lead to serious underinvestment in capital goods by the private sector and put a heavy brake on economic activity, so the lack of a Federal capital budget, has led to chronic underinvestment in long-term "public goods" and threatens to impede efforts to revitalize our economy.

Few can doubt that America is crumbling all around us. Streets are cracking, dams are breaking, bridges are collapsing, sewers are overflowing, and water mains are leaking. America's "infrastructure" is deteriorating faster than we can replace it. Experts predict we will have to spend between $2.5 and $3 trillion simply to maintain our infrastructure in its current condition. The additional improvements necessary for sustaining a growing economy will cost billions more. Yet, in real dollars, the Federal government invests 35 percent less in public facilities now than it did in 1965.

We should not underestimate the enormity of the task before us:

- One-fifth of the Nation's bridges requires major rehabilitation or reconstruction. The Department of Transportation recently classified 45 percent of them as deficient or obsolete. Three thousand have been closed.

- The Interstate Highway System requires reconstruction at a rate of 2,000 miles each year.

- A Commerce Department survey of 6,870 communities found that 3,000 -- or 46 percent -- had wastewater treatment facilities operating at over 80 percent of capacity and thus could not accommodate any further industrial expansion.

- The nation's 756 urban areas with populations over 50,000 will need between $75 and $110 billion to maintain their water systems over the next 20 years.

- A large number of the Nation's 43,500 dams require additional investment to eliminate hazardous deficiencies. The Army Corps of Engineers found unsafe nearly 3,000 dams in highly populated areas; of these, 130 are close to collapsing.

The deteriorating national infrastructure could take a large human toll. This summer, in my own State of Colorado, an 80-year old earthen dam burst, killing several campers and sending flood waters through the scenic town of Estes Park. In Jersey City, New Jersey, an aqueduct broke, depriving almost 300,000 residents of drinking water for 6 days. A recent Federal Highway Administration study found that spending an extra $4.3 billion to fix dilapidated bridges and roads could prevent 48,000 injuries and save 17,200 lives over 15 years.

The economic costs of insufficient public investment are equally great. Experts estimate Houston motorists pay a "traffic congestion tax" of $800 a year in time and gasoline wasted on the city's snarled expressways. U.S. Steel spends an extra $1 million a year to detour its trucks around a closed bridge in Pittsburgh. An industry group estimates the aggregate cost to the private sector of bad roads and bridges is $30 billion a year -- for everything from broken axles to lost business.

It is more difficult to measure the economic cost of underinvestment by the Federal government in "human capital" -- through education, vocational education, job training and retraining. Yet, our failure to invest adequately in this Nation's greatest natural resource -- its people -- so they can participate in the fundamental transformation occurring in our economy, threatens our competitiveness in world markets and our national standard of living.

Even as we rebuild our infrastructure to support the economy of the 1980s and 1990s, we must also prepare our children for the future. Fewer students are taking fewer courses and spending fewer hours studying the subjects that will give them the skills they need: math and science, foreign lauguages, communications, history, and philosophy. The Federal government's commitment to research and development, teacher training, and aid to education has dropped sharply since the 1960s.

A Federal capital budget would begin to reverse years of failed "pork barrel" politics and ad hoc decisionmaking on public works investment. The Federal budget does not currently contain a cross-cutting analysis of public works expenditures or long-term estimates of associated construction, rehabilitation, operating, and maintenance requirements. As a leading expert on this issue, Dr. Pat Choate, points out, a national capital budget would provide a framework for analyzing:

- The aggregate requirement for domestic non-defense public investment as compared to other pressing claims such as national defense and social programs.

- The relationship of public investments to national defense, social policies, and economic development objectives.

- The effects of government regulations on public works investments and operations.

- The consequences of allocating limited public investment funds to new construction, rehabilitation of existing facilities, and operation and maintenance.

- The social and equity issues associated with the distribution of public investment funds among various regions of the country.

In short, a Federal capital budget will provide the information necessary for the Executive Branch and the Congress to allocate scarce resources to capital investments that will yield the greatest benefits for the public.

Capital budgeting is a standard accounting practice. Virtually all major corporations, two-thirds of the states, and most local governments use capital budgets as a basic policy and administrative tool. Even the Executive Branch has taken a step toward capital budgeting: it includes in the budget it submits to the Congress a "Special Analysis D" that analyzes Federal investment in long-term assets, including construction, rehabilitation, and acquisition of physical assets; education, training, and vocational rehabilitation; research and development; international development; and financial investments such as loans. The General Accounting Office, in its report, "Federal Capital Budgeting: A Collection of Haphazard Practices," concluded, however, that "Special Analysis D" is ineffective for overall capital analysis because:

- It excludes off-budget activities -- such as the U.S. Postal Service.

- By netting outlays and receipts in each category, it does not accurately portray the magnitude of capital investment activity.

- It covers only three years -- far too short a time to account for additions to capital assets or depreciation and disposal.

- It does not use a consistent definition of physical capital but relies on each agency's definition.

- It distorts aggregate capital investment by classifying outlays according to how the majority of the funds are used. For example, if 51 percent of the funds in a discretionary program, such as the Community Development Block Grant program, go for operating expenses, then the entire program is classified as a current expenditure although several billion dollars may fund capital expenses.

Some opponents of a Federal capital budget have argued it would favor investment in buildings and roads over people. That argument is wrong for two reasons:

First, a Federal capital budget simply would place capital expenditures in their proper perspective. Capital assets are built and maintained by people for the benefit and use of people. They will help sustain the economic recovery that should benefit all Americans.

Second, not all capital expenditures go for so-called "hard" projects like building and roads. Capital expenditures also finance other long-term investments such as education for our children and research to cure diseases that now cause untold pain and suffering.

By placing Federal capital investments on a "pay as you use" basis, a capital budget would add needed rationality to the budget process.

Opponents also argue that a capital budget would present "formidable accounting problems" by raising questions about whether to classify expenditures as capital or non-capital. This argument should not dissuade us. Accounting always presents difficult choices in classification. Yet, accountants make those choices knowing that even some additional classification will improve the budget process. Similarly, even some capital budgeting at the Federal level is better than none at all. And although a Federal capital budget eventually should comprehend all long-term investments -- in physical and human capital -- we could, as a first-step alternative to my proposal, establish a capital budget for investments in traditional public facilities. Then, if it proves successful, we can expand it to include long-term investments in human resources.

We urgently need a Federal capital budget to set our public investment priorities. I hope this Committee will report, and the Congress will pass, legislation establishing a Federal capital budget along the lines I have proposed. It can become an effective weapon in the fight to restore this Nation's economic health.

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II

97TH CONGRESS
2D SESSION

S. 2069

To amend the Congressional Budget Act of 1974 to require that each congressional budget resolution fix the level of tax expenditures for the fiscal year involved as well as the recommended aggregate level of Federal revenues.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 4 (legislative day, JANUARY 25), 1982

Mr. HART introduced the following bill; which was read twice and referred jointly pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs with instructions that if one committee reports, the other committee has thirty days of continuous session to report or be discharged

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A BILL

To amend the Congressional Budget Act of 1974 to require that each congressional budget resolution fix the level of tax expenditures for the fiscal year involved as well as the recommended aggregate level of Federal revenues.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 301(a)(4) of the Congressional Budget Act of 1974 is amended to read as follows:

"(4) the recommended level of Federal revenues; the recommended level of tax expenditures; and the amount (if any) by which the aggregate level of Federal revenues, and the level of tax expenditures, should be increased or decreased by bills and resolutions to be reported by the appropriate committees;".

(b) Section 303(a)(2) of such Act is amended by inserting ", or in tax expenditures," after "revenues".

(c) Section 310(a)(2) of such Act is amended—

(1) by striking out "the total amount by which revenues are to be changed" and inserting in lieu thereof "the total amount by which revenues or tax expenditures (or both) are to be changed"; and

(2) by striking out "the revenue laws" and inserting in lieu thereof "the applicable laws".

(d) Section 311(a) of such Act is amended—

(1) by striking out "or reducing revenues" in the matter preceding paragraph (1) and inserting in lieu thereof "providing additional tax expenditures for such fiscal year, or otherwise reducing revenues"; and

(2) by striking out "or would cause revenues to be less" in the matter following paragraph (3) and inserting in lieu thereof "would cause the recommended level of tax expenditures so set forth to be exceeded, or would otherwise cause revenues to be less".

SEC. 2. The amendments made by the first section of this Act shall apply with respect to fiscal years beginning after September 30, 1982.

○

STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM THE STATE OF NEW YORK

Mr. Chairman, I am pleased to add my views to those other members will offer here today on how to improve the congressional budget process. As a member of this Budget Committee as well as the Senate Finance Committee, I have been a close observer and participant in this process. I trust this experience enables me to offer constructive suggestions.

Last April 28, 1982, I introduced S. 2454, the "Federal Credit and Tax Expenditure Control Act of 1982," with the co-sponsorship of two other members of this Committee, Senator Hart and Senator Sasser. Some of its provisions are complex, but the purpose is simple. We intend to establish more effective control over the entire federal spending process.

Some of the provisions of this legislation are found also in proposals by other distinguished members of the Senate and the House appearing here today. Other provisions, based on recommendations by the Congressional Budget Office and other eminent bodies, are innovations advanced in no other proposed legislation. We have sifted through and analyzed scores of proposals, in our determination to bring together the fundamental reforms necessary to establish genuine and comprehensive oversight of this nation's fiscal policy.

Controlling federal spending -- and doing so in a responsible way -- is always a difficult task. It is a task made harder still by our current economic problems. But under any conditions, surely such an effort must begin with meaningful procedures for overseeing all aspects of federal expenditure. The means to oversee the largest dimension of federal expenditure, aggregate direct spending, already exist: the Budget Control and Impoundment Act of 1974. This Body's very capacity to cut $35.2 billion in direct spending last year -- as well we know -- relied on reconciliation and other procedures created by the 1974 legislation.

Similarly, we must recognize that the additional cuts of another $27.2 billion in direct spending this year, along with tax increases totalling some $98 billion, could not have occured in the absence of the 1974 Budget Act. Whether you endorse these specific cuts and tax increases or not, and in many cases I joined other members of this Committee in demurring, you will acknowledge that Congress's ability to oversee aggregate direct spending and direct taxation depends on the provisions of the landmark budget legislation of 1974.

But direct spending is only the most visible of three distinct forms of federal expenditure, and all must be overseen and controlled. The national government also expends public funds in indirect ways -- principally through loan guarantee programs and tax expenditures. Indirection, however, renders their impact on the budget and the economy no less real. In this fiscal year, 1982, direct loans by the national government will total some $65,418,000,000; primary loan guarantees will total another $100,521,000,000, and secondary guarantees will come to $68,953,000,000. Taken together, the credit activities of the federal government come to some $234,892,000,000. That's $1,061.09 for each of the 231,173,000 men, women and children in the United States. And according to the most recent estimates by the Joint Tax Committee, the fiscal impact of existing tax expenditures will reach $253,515,000,000 in the current fiscal year -- $55,140,000,000 focused on corporations, and $198,375,000,000 focused on individuals. That comes to $1096.65 for every American citizen this year.

It must be obvious to any casual observer, much less to the serious participants in the budget process in this Committee chamber, that we will never get control of the whole budget until we acknowledge the fiscal impact of these items and explicitly incorporate them in the mandatory budget-making process. The legislation I have proposed, then, proceeds from this reality towards one crucial and simple end. We intend to provide Congress the means to oversee the entire range of federal spending activity, by applying the established procedures of the existing budget process to the federal government's credit and tax expenditure activities.

Under this legislation, for example, the non-binding First Concurrent Budget Resolution would include estimates for total tax expenditures and total loan guarantees in accordance with law, as for direct spending, and further estimates of their distributions among the budget's functional categories. How, I have asked myself, can Congress responsibly determine the appropriate level for direct spending in any area, without knowing the extent of federal credit and tax operations supporting the same activities? And how can Congress establish coherent priorities in credit and tax expenditure activities, without some comprehensive view of their actual allocation? These are reasonable questions to which men and women of reason must respond.

My legislative proposal also would subject total loan guarantees and total tax expenditures to binding ceilings under the Second Concurrent Budget Resolution, the central mechanism for controlling direct spending in the current budget process. As for direct spending, these ceilings would not bind any Committee to reduce any particular loan guarantee program or tax expenditure. The ceilings would establish an annual lid on total loan guarantees and total tax expenditures, preventing congressional consideration of any additional loan guarantee program or new tax expenditure that would breach the ceiling. Moreover, this legislation would also make loan guarantees and tax expenditures subject to a reconciliation process -- once again, like direct spending today. Only in this way can Congress oblige its constituent committees to reduce programs under their jurisidictions, to the degree judged necessary by the entire Body.

This legislation would also apply the restraints on presidential impoundments of direct spending, under the 1974 Budget Act, to legally-mandated loan guarantee programs. The logic seems inescapable: if loan guarantees are a form of spending which properly should be subject to full congressional examination and determination, then the Executive cannot properly use administrative decrees to overturn these decisions. How can Congress subject loan guarantee spending to the scrutiny and controls of the budget process, and then accord the President fiat powers to rescind or defer the results?

This legislation also introduces three further innovations required to establish truly comprehensive budgetary controls. Under our current procedures, the precise extent of federal credit activities is often difficult to determine and often impossible to control, because many legitimate and useful credit programs operate entirely under general authorization legislation outside the appropriations process. To subject all credit activities, like all direct spending, to the budget process, this legislation states that in the future authorizing acts can result in loan guarantees only to the extent provided for in appropriation Acts.

To a related end, the legislation exposes to the budget process transactions beyween federal loan agencies and the Federal Financing Bank. The clearing-house functions performed by the Federal Financing Bank are necessary and proper ones, and this legislation will in no way interfere with any of these operations. But these credit operations can no longer be forgotten in the off-budget ledgers. They must be made accessible to the congressional budget-making process. Under this legislation, therefore, any agency using the Federal Financing Bank must report to the Office of Management and Budget the levels of budget authority and outlays that would have resulted, if the agency had borrowed directly from the market rather than the Federal Financing Bank. In this way, the cost and impact of these transactions can be apparent in the budget documents, while the valuable activities of the Federal Financing Bank can proceed.

Last, S. 2454 directs the Treasury Department to undertake a two-year study of tax expenditures. This study will identify those tax expenditures which actually produce their intended effects on taxpayer behavior -- and those which, not having produced their desired effects, can be eliminated without adverse economic impact. This provision, then, would enable Congress to address the issue of tax expenditures in a truly informed way and to knowledgably determine more optimal dimensions for the public tax base.

I repeat what every member here today knows: Congress will never be able to exercise meaningful control over the federal budget, unless we adopt procedures to discipline the government's credit activities and tax expenditures, as well as direct spending. I will submit for the Committee's record a copy of S. 2454 and a section-by-section analysis, and I ask to join with my colleagures to provide Congress and the nation the means to master federal spending in a responsible way.

97TH CONGRESS
2D SESSION

S. 2454

To amend the Congressional Budget Act of 1974 to establish procedures for setting targets and ceilings in the congressional budget process for tax expenditures, and for loans and loan guarantees under Federal credit programs.

IN THE SENATE OF THE UNITED STATES

APRIL 28 (legislative day, APRIL 13), 1982

Mr. MOYNIHAN (for himself, Mr. SASSER, and Mr. HART) introduced the following bill; which was read twice and referred jointly, pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs, with instructions that if one committee reports, the other committee has thirty days of continuous session to report or be discharged

---

A BILL

To amend the Congressional Budget Act of 1974 to establish procedures for setting targets and ceilings in the congressional budget process for tax expenditures, and for loans and loan guarantees under Federal credit programs.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Federal Credit and Tax Expenditure Control Act of 1982".

FINDINGS AND PURPOSE

SEC. 2. (a) Congress finds and declares that—

(1) making loans, issuing loan guarantees, and using tax provisions to modify taxpayer behavior are now common instruments of Government policy. During fiscal year 1980, Federal agencies extended new loans and loan guarantees equivalent in amount to one-eighth of the Federal budget, while tax expenditures amounted to one-third of direct spending;

(2) the effect of loans and loan guarantees is to assign a higher priority to specific investments than has been assigned by the private credit markets. As such, loans and loan guarantees can have a significant effect on the economy;

(3) the effect of many tax expenditures is to change taxpayer behavior in ways that Congress considers desirable and, in consequence, tax expenditures also can have a significant effect on the economy;

(4) informed deliberations by Congress about the effectiveness of individual loan and loan guarantee programs, and individual tax expenditures, and about the optimal volume of each in the aggregate, requires continuous congressional review and assessment in light of national priorities and changing economic conditions.

(b) It is therefore declared to be the policy of Congress and the purpose of this Act—

(1) to provide for the Congressional determination each year of the appropriate level of direct loans, commitments to guarantee or insure loan principal, and tax expenditures;

(2) to aid in the establishing of national budget priorities;

(3) to establish within the impoundment process a method for the executive branch to restrict loan activities mandated by Congress;

(4) to monitor the impact of Federal Financing Bank operations; and

(5) to force a review of certain tax expenditures to determine whether any are obsolete and unnecessary.

CREDIT BUDGET

SEC. 3. (a)(1) Section 202(a) of the Congressional Budget Act of 1974 is amended by striking out "and (3)" and inserting in lieu thereof "(3) information with respect to direct loans and guarantees or insurance of loan principal, and (4)".

(2) Section 202(f)(1) of such Act is amended by striking out "and (B)" and inserting in lieu thereof "(B) the levels of direct loans and guarantees or insurance of loan principal, and (C)".

(b)(1) Section 301(a) of such Act is amended—

(A) by redesignating paragraph (5) as paragraph (6);

(B) by redesignating paragraphs (6) and (7) as paragraphs (10) and (11), respectively; and

(C) by inserting after paragraph (6) the following new paragraphs:

"(7) the appropriate level of total gross obligations for the principal amount of direct loans and the appropriate level of total commitments to guarantee or insure loan principal;

"(8) an estimate of gross obligations for the principal amount of direct loans and an estimate of commitments to guarantee or insure loan principal for each major functional category, based on allocations of the appropriate level of total gross obligations for the principal amount of direct loans and the appropriate level of total commitments to guarantee or insure loan principal;

"(9) an estimate of the total outlays which will result from defaults on the payment of loan principal which has been guaranteed or insured by the United States, and an allocation of such outlays among each major functional category;".

(2) Section 301(b)(1) of such Act is amended—

(A) by striking out "or" after "new budget authority" and inserting in lieu thereof "for such fiscal year,"; and

(B) by inserting a comma and "or specifying the level of total gross obligations for the principal amount of direct loans or the level of total commitments to guarantee loan principal for such fiscal year," before "shall not be enrolled".

(3) Section 301(c) of such Act is amended to read as follows:

"(c) VIEWS AND ESTIMATES OF OTHER COMMITTEES.—

"(1) On or before March 15 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House, each standing committee of the Senate shall submit to the Committee on the Budget of the Senate, and the Joint Economic Committee and Joint Committee on Internal Revenue Taxation shall submit to the Committees on the Budget of both Houses—

"(A) its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within the respective jurisdiction or functions of such committee or joint committee; and

"(B) except in the case of such joint committees, the estimate of the total amounts of new budget authority and budget outlays resulting therefrom, and of the total amounts of gross obligations for the principal amount of direct loans and commitments to guarantee or insure loan principal, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee which such committee intends to be effective during the fiscal year beginning on October 1 of such year.

"(2) The Joint Economic Committee shall also submit to the Committees on the Budget of both Houses—

"(A) its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946;

"(B) recommendations as to the appropriate level of total gross obligations for the principal amount of direct loans and the appropriate level of total commitments to guarantee or insure loan principal; and

"(C) its estimates as to the outlays which will result from defaults on the payment of loan principal which has been guaranteed or insured by the United States.

"(3) The Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate shall also submit to the Committees on the Budget of their respective Houses their recommendations and estimates with respect to the matters specified in subparagraphs (B) and (C) of paragraph (2).

"(4) Any other committee of the House or Senate may submit to the Committee on the Budget of its House, and any other joint committee of the Congress may submit to the Committees on the Budget of both Houses, its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within its jurisdiction or functions.".

(c)(1) Section 302(a) of the Act is amended—

(A) by striking out "and" after "total budget outlays" and inserting in lieu thereof a comma;

(B) by inserting a comma and "total gross obligations for the principal amount of direct loans, and total commitments to guarantee or insure loan principal" after "total new budget authority"; and

(C) by inserting "or authorizing such obligations and commitments" after "such new budget authority".

(2) Section 302(b) of such Act is amended—

(A) by striking out "and" after the semicolon at the end of paragraph (1);

(B) by redesignating paragraph (2) as paragraph (3); and

(C) by inserting after paragraph (1) the following new paragraph:

"(2) the Committee on Appropriations of each House shall also, after consulting with the Committee on Appropriations of the other House, subdivide among its subcommittees the allocation of gross obligations for the principal amount of direct loans and of commitments to guarantee or insure loan principal allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution; and".

(d)(1) Section 303(a) of such Act is amended—

(A) by striking out "provides" before the dash in the matter preceding paragraph (1);

(B) by inserting "provides" before "new" in paragraph (1);

(C) by inserting "provides" before "an increase" in paragraph (2);

(D) by inserting "provides" before "an increase" in paragraph (3);

(E) by striking out "or" after the semicolon in paragraph (3);

(F) by inserting "provides" before "new" in paragraph (4);

(G) by inserting "or" after the semicolon in paragraph (4); and

(H) by inserting after paragraph (4) the following new paragraph:

"(5) specifies the level of total gross obligations for the principal amount of direct loans or the level of total commitments to guarantee or insure loan principal for a fiscal year;".

(2) Section 303(b) of such Act is amended—

(A) by striking out "or" at the end of paragraph (1);

(B) by striking out the period at the end of paragraph (2) and inserting in lieu thereof a semicolon and "or"; and

(C) by adding at the end thereof the following new paragraph:

"(3) specifying—

"(A) the appropriate level of total gross obligations for the principal amount of direct loans; or

"(B) the appropriate level of total commitments to guarantee or insure loan principal, for a fiscal year following the fiscal year to which the concurrent resolution applies.".

(e) Section 307 of such Act is amended—

(1) by inserting "(1)" before "comparing";

(2) by inserting ", and the appropriate levels of total gross obligations for the principal amount of direct loans and of total commitments to guarantee or insure loan principal," after "new budget authority"; and

(3) by inserting "and (2) specifying estimates of the outlays which will result from defaults on loan principal that has been guaranteed or insured by the United States" before the period.

(f)(1) Section 308(a)(1) of such Act is amended—

(A) by striking out "and" after the semicolon at the end of subparagraph (B); and

(B) by adding after subparagraph (C) the following new subparagraph:

"(D) how the level of gross obligations for the principal amount of direct loans and on commitments to guarantee or insure loan principal provided in that bill or resolution compare with the appropriate level of gross obligations for the principal amount of direct loans and commitments to guarantee or insure loan principal set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302; and".

(2) Section 308(b) of such act is amended—

(A) by striking out "and" after the semicolon at the end of paragraph (3);

(B) by striking out the period at the end of paragraph (4) and inserting in lieu thereof "; and"; and

(C) by adding after paragraph (4) the following new paragraph:

"(5) an up-to-date tabulation comparing the gross obligations for the principal amount of direct loans and the commitments to guarantee or insure loan principal for such fiscal year in bills or resolutions on which the Congress has completed action to the appropriate level of gross obligations for the principal amount of direct loans and the appropriate level of commitments to guarantee or insure loan principal set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302.".

(3) Section 308(c) of such act is amended—

(A) by striking out "and" after the semicolon in paragraph (2);

(B) by striking out the period at the end of paragraph (3) and inserting in lieu thereof a semicolon and "and"; and

(C) by adding at the end thereof the following new paragraph:

"(4) total gross obligations for the principal amount of direct loans and total commitments to guarantee or insure loan principal.".

(g)(1) Section 309 of such Act is amended by inserting "or specifying the levels of gross obligations for the principal amount of direct loans or commitments to guarantee or insure loan principal for such fiscal year," after "such year," where it first appears in paragraph (1).

(2)(A) The section heading for section 309 of such Act is amended by striking out "AND CERTAIN NEW SPENDING AUTHORITY" and inserting in lieu thereof ", SPECIFYING DIRECT LOANS OR LOAN GUARANTEE COMMITMENTS, OR PROVIDING CERTAIN NEW SPENDING AUTHORITY".

(B) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended (in the item relating to section 309) by striking out "and certain new spending authority" and inserting in lieu thereof ", specifying direct loans or loan guarantee commitments, or providing certain new spending authority".

(h) Section 310(a) of the Congressional Budget Act of 1974 is amended—

(1) by striking out "or" after the semicolon at the end of paragraph (3);

(2) by redesignating paragraph (4) as paragraph (5) and (in such paragraph) striking out "and (3)" and inserting in lieu thereof "(3), and (4)"; and

(3) by inserting after paragraph (3) the following new paragraph:

"(4) specify the total amount by which gross obligations for the principal amount of direct loans or commitments to guarantee or insure loan principal are to be changed and direct the committees having jurisdiction to recommend such change; or".

(i)(1) Section 311(a) of such Act is amended—

(A) by inserting "specifying the levels of total gross obligations for the principal amount of direct loans or total commitments to guarantee or insure loan principal for such fiscal year," after "effective during such fiscal year," in the matter preceding paragraph (1); and

(B) by inserting "would cause the appropriate level of gross obligations for the principal amount of direct loans or the appropriate level of commitments to guarantee or insure loan principal set forth in such concurrent resolution to be exceeded," after "exceeded," in the matter following paragraph (3).

(2)(A) The section heading for section 311 of such Act is amended by inserting ", LOAN AND LOAN GUARANTEE COMMITMENTS," after "SPENDING AUTHORITY".

(B) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended (in the item relating to section 311) by inserting "loans and loan guarantee commitments," after "spending authority".

(j) Section 402(a) of the Congressional Budget Act of 1974 is amended by inserting "or which authorizes the guarantee or insurance of loan principal for a fiscal year," after "for a fiscal year,".

(k)(1) Title IV of such Act is amended by adding at the end thereof the following new section:

"LEGISLATION PROVIDING AUTHORITY TO MAKE DIRECT LOANS OR TO GUARANTEE OR INSURE LOAN PRINCIPAL

"SEC. 405. It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides, extends, or enlarges authority to incur obligations for the principal amount of direct loans or to guarantee or insure loan principal (or any amendment which provides, extends, or enlarges such authority) unless that bill, resolution, or amendment also provides that such authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.".

(2) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding at the end of the matter relating to title IV the following new item:

"Sec. 405. Legislation providing authority to make direct loans or to guarantee or insure loan principal.".

(l) Section 2 of such Act is amended—

(1) by striking out "and" after the semicolon at the end of paragraph (4);

(2) by redesignating paragraph (5) as paragraph (6); and

(3) by inserting after paragraph (4) the following new paragraph:

"(5) to provide for the congressional determination each year of (A) the appropriate level of gross obligations for the principal amount of direct loans and of commitments to guarantee or insure loan principal, and (B) estimates of the outlays which will result from defaults on loan principal which has been guaranteed or insured by the United States; and".

(m)(1) Section 605(a) of such Act is amended—

(A) by striking out "1975" in the first sentence and inserting in lieu thereof "1982";

(B) by striking out "and" after "estimated outlays" in the first sentence and inserting in lieu thereof a comma;

(C) by inserting a comma and "and information with respect to direct lending and guarantees or insurance of loan principal" before "which would be included" in the first sentence;

(D) by striking out "and" after "estimated outlays" in the second sentence and inserting in lieu thereof a comma;

(E) by inserting a comma and "and information with respect to direct lending and guarantees or insurance of loan principal" before "submitted pursuant to this section" in the second sentence;

(F) by striking out "and" after "estimated outlays" in the third sentence and inserting in lieu thereof a comma; and

(G) by inserting "and information with respect to direct lending and guarantees or insurance of loan principal," after "proposed budget authority," in the third sentence.

(2) Section 605(b) of such Act is amended—

(A) by striking out "and" after "estimated outlays" and inserting in lieu thereof a comma; and

(B) by inserting a comma and "and information with respect to direct lending and guarantees or insurance of loan principal" before "so submitted".

(n) Section 3 of such Act is amended by adding at the end thereof the following new paragraph:

"(6) The term 'direct loan' means a disbursement of funds by the United States or any officer or agency thereof (not in exchange for goods or services) under a contract which requires the repayment of such funds with or without interest, and in addition includes—

"(A) direct participation in a loan made and held by another person or government;

"(B) the purchase (through secondary market operations) of a loan made by another person or government; and

"(C) the acquisition of a federally guaranteed loan made by another person or government, as collateral or in satisfaction of default or other guarantee claims.".

(o) Section 201(a) of the Budget and Accounting Act, 1921 (31 U.S.C. 11(a)), is amended—

(1) by striking out "and" after the semicolon at the end of paragraph (12);

(2) by striking out the period at the end of paragraph (13) and inserting in lieu thereof a semicolon and "and"; and

(3) by adding after paragraph (13) the following new paragraph:

"(14) all essential facts regarding direct lending by the Government and guarantees or insurance of loan principal by the Government.".

(p) Section 201(d) of the Budget and Accounting Act, 1921 (31 U.S.C. 11(d)), is amended by striking out "items enumerated in section 301(a) (1)–(5)" and inserting in lieu thereof "items enumerated in section 301(a) (1)–(8)".

(q) The amendments made by this section shall be effective with respect to fiscal years beginning on and after October 1, 1982.

STATEMENT REQUIRED WITH RESPECT TO FEDERAL FINANCING BANK TRANSACTIONS

SEC. 4. Any agency which issues or sells an obligation directly to the Federal Financing Bank or which guarantees or insures the payment of principal or interest on an obligation which is to be sold to the Federal Financing Bank shall prepare a statement specifying, with respect to each such obligation, the amount of budget authority which would have been obligated or expended and the amount of outlays which would have resulted if the agency had not issued or sold such obligation directly to the Bank or if, in the case of a guarantee or insurance, the obligation was issued to and held by the agency. Such statement shall be transmitted to the Director of the Office of Management and Budget with the requests for appropriations required under section 216 of the Budget and Accounting Act, 1921 (31 U.S.C. 24). Such statement shall be prepared for the one-year period preceding the date on which such transmission is made, and shall allocate such amounts within the functional categories used in the Budget submitted under section 201(a) of such Act (31 U.S.C. 11).

LOAN GUARANTEE AND INSURANCE PROGRAMS

SEC. 5. (a) Notwithstanding any other provision of law, the head of a department or agency carrying out any program to guarantee or insure loan principal shall enter into commitments to guarantee or insure pursuant to such program in the full amounts permitted by law, subject only to the availability of qualified applicants.

(b)(1) The heading for part B of the Impoundment Control Act of 1974 is amended by inserting "AND LOAN GUARANTEE AUTHORITY" after "BUDGET AUTHORITY".

(2) The item relating to part B of title X in the table of contents in section 1(b) of the Congressional Budget and Impoundment and Control Act of 1974 is amended by inserting "and Loan Guarantee Authority" after "Budget Authority".

(c)(1) Section 1011(3) of the Impoundment Control Act of 1974 is amended by inserting "or loan guarantee authority" before "proposed to be rescinded".

(2) Section 1011(4) of such Act is amended—

(A) by inserting "or loan guarantee authority" before "set forth"; and

(B) by striking out "and" after the semicolon.

(3) Section 1011 of such Act is amended by redesignating paragraph (5) as paragraph (7) and by inserting after paragraph (4) the following new paragraphs:

"(5) 'loan guarantee authority' means the authority to guarantee or insure loan principal;

"(6) 'deferral of loan guarantee authority' includes—

"(A) withholding or delaying the making of a total amount of commitments to guarantee or insure the indebtedness of qualified applicants which is less than the maximum amount permitted by law; or

"(B) any other type of Executive action which effectively precludes the making of a total amount of commitments to guarantee or insure the indebtedness of qualified applicants which is less than the maximum amount permitted by law; and".

(d)(1) Section 1012(a) of such Act is amended—

(A) by inserting "or loan guarantee authority" after "budget authority" the first three places it appears in the matter preceding paragraph (1);

(B) by inserting "or whenever all or part of loan guarantee authority provided for only one fiscal year is to be reserved from commitment for such fiscal year," before "the President shall transmit" in the matter preceding paragraph (1);

(C) by inserting "or loan guarantee authority" after "budget authority" in paragraph (1);

(D) by inserting "or to which such loan guarantee authority is available for commitment" after "obligation" in paragraph (2);

(E) by inserting "or loan guarantee authority" after "budget authority" in paragraph (3); and

(F) by inserting "or loan guarantee authority" after "budget authority" in paragraph (5).

(2) Section 1012 of such Act is further amended by adding at the end thereof the following new subsection:

"(c) REQUIREMENT TO MAKE LOAN GUARANTEE COMMITMENTS.—Any amount of loan guarantee authority proposed to be rescinded or that is to be reserved as set forth in a special message transmitted under subsection (a) shall, subject to the availability of qualified applicants, be committed to the full extent permitted by law unless, within the prescribed 45-day period, the Congress has completed action on a rescission bill rescinding all or part of the amount proposed to be rescinded or that is to be reserved.".

(3)(A) The section heading for section 1012 of such Act is amended by inserting "AND LOAN GUARANTEE AUTHORITY" after "BUDGET AUTHORITY".

(B) The item relating to section 1012 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting "and loan guarantee authority" before the period the last place it appears.

(e)(1) Section 1013(a) of the Impoundment Control Act of 1974 is amended—

(A) by inserting "or loan guarantee authority" after "budget authority" in the matter preceding paragraph (1);

(B) by inserting "or loan guarantee authority" after "budget authority" in paragraph (1);

(C) by inserting "or to which such loan guarantee authority is available for commitment" after "obligation" in paragraph (2);

(D) by inserting "or loan guarantee authority" after "budget authority" in paragraph (3);

(E) by inserting "or loan guarantee authority" after "budget authority" in paragraph (6); and

(F) by inserting a comma and "or one or more deferrals of loan guarantee authority, as the case may be" before the period in the first sentence of the matter following paragraph (6).

(2) Section 1013 of such Act is further amended—

(A) by redesignating subsection (c) as subsection (d) and (in such subsection) inserting "or loan guarantee authority" after "budget authority"; and

(B) by inserting after subsection (b) the following new subsection:

"(c) REQUIREMENT TO MAKE LOAN GUARANTEE COMMITMENTS.—Any amount of loan guarantee authority proposed to be deferred as set forth in a special message transmitted under subsection (a) shall, subject to the availability of qualified applicants, be committed to the full extent permitted by law if either House of Congress passes an impoundment resolution disapproving such proposed deferral.".

(3)(A) The section heading for section 1013 of such Act is amended by inserting "AND LOAN GUARANTEE AUTHORITY" after "BUDGET AUTHORITY".

(B) The item relating to section 1013 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting "and loan guarantee authority" before the period the last place it appears.

(f)(1) Section 1014(b) of the Impoundment Control Act of 1974 is amended by inserting "or loan guarantee authority" after "budget authority" each place it appears in paragraphs (1) and (2).

(2) Section 1014(e)(1) is amended by inserting "and loan guarantee authority" after "budget authority".

(g) Section 1015(a) of such Act is amended by inserting "or loan guarantee authority" after "budget authority" each place it appears in paragraphs (1) and (2).

(h) Section 1016 of such Act is amended to read as follows:

"SUITS BY COMPTROLLER GENERAL

"SEC. 1016. If—

"(1) under section 1012(b) or 1013(b), budget authority is required to be made available for obligation and such budget authority is not made available for obligation, or

"(2) under section 1012(c) or section 1013(c), commitments to guarantee or insure the indebtedness of qualified applicants are required to be made and such commitments have not been made,

the Comptroller General is hereby expressly empowered, through attorneys of his own selection, to bring a civil action in the United States District Court for the District of Columbia to require such budget authority to be made available for obligation or to require that such commitments be made, as the case may be, and such court is hereby expressly empowered to enter in such civil action, against any department, agency, officer, or employee of the United States, any decree, judgment, or order which may be necessary or appropriate to make such budget authority available for obligation or to require that such commitments be made, as the case may be. The courts shall give precedence to civil actions brought under this section, and to appeals and writs from decisions in such actions, over all other civil actions, appeals, and writs. No civil action shall be brought by the Comptroller General under this section until the expiration of 25 calendar days of continuous session of the Congress following the date on which an explanatory statement by the Comptroller General of the circumstances giving rise to the action contemplated has been filed with the Speaker of the House of Representatives and the President of the Senate.".

(i) Section 1017(a) of such Act is amended by inserting "or loan guarantee authority" after "budget authority".

TAX EXPENDITURES

SEC. 6. (a) Paragraph (1) of section 202(f) of the Congressional Budget Act of 1974 is amended by striking the period at the end of such paragraph and inserting in lieu thereof ", and how much Federal activity there is already in each functional category because of direct loans, guarantees or insurance of loan principal, and tax expenditures.".

(b) Section 301(a) of such Act is amended by inserting after paragraph (4) the following new paragraph:

"(5) the recommended level of tax expenditures, an allocation of such expenditures among each functional category, and the amount, if any, by which the level of tax expenditures should be increased or decreased by bills and resolutions to be reported by the appropriate committees;".

(c)(1) Section 308(a)(2)(A) of such Act is amended to read as follows:

"(A) how the new or increased tax expenditures provided in that bill or resolution will affect the level of tax expenditures set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year; and".

(2) Section 308(b)(3) of such Act is amended to read as follows:

"(3) an up-to-date comparison of the appropriate level of revenues and the appropriate level of tax expenditures contained in the most recently agreed to concurrent resolution on the budget for such fiscal year with the latest estimate of revenues and tax expenditures for such year (including new revenues and tax expenditures anticipated during such year under bills and resolutions on which the Congress has completed action);".

(d) Section 310(a)(2) of such Act is amended—

(1) by striking out "the total amount by which revenues are to be changed" and inserting in lieu thereof "the total amount by which revenues or tax expenditures (or both) are to be changed"; and

(2) by striking out "the revenue laws" and inserting in lieu thereof "the applicable laws".

(e) Section 311(a) of such Act is amended—

(1) by striking out "or reducing revenues" in the matter preceding paragraph (1) and inserting in lieu thereof "providing additional tax expenditures for such fiscal year, or otherwise reducing revenues"; and

(2) by striking out "or would cause revenues to be less" in the matter following paragraph (3) and inserting in lieu thereof "would cause the recommended

level of tax expenditures so set forth to be exceeded, or would otherwise cause revenues to be less".

REPORT BY THE SECRETARY OF THE TREASURY

SEC. 7. As soon as practicable after the date of enactment of the Federal Credit and Tax Expenditure Control Act of 1982, but in no event later than two years, the Secretary of the Treasury shall transmit to the Committee on the Budget of each House a report on tax expenditures that are aimed at inducing change in taxpayer behavior. The report shall estimate the degree to which each such expenditure induces the desired change, and list expenditures that could be repealed without a significant effect on taxpayer behavior but at a savings in revenue to the Federal Treasury.

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Federal Credit and Tax Expenditure Control Act of 1982: (S. 2454)

Section-by-Section Analysis

Sec. 1: Title

Sec. 2: Statement of Purpose

Sec. 3: (a) Directs CBO to provide regular information about direct loans and loan guarantees;

(b) First Budget Resolution to include aggregate totals for direct loans and loan guarantees, with estimates of totals for each major functional category and estimates of actual outlays resulting from defaults according to functional category.
Also requires Standing Committees to provide Budget Committees estimates of direct lending and loan guarantees for programs under their jurisdictions, directs the Joint Economic Committee and the Banking committees of both Houses to submit recommendations of desired aggregate levels for direct loans and loan guarantees and estimates of outlays resulting from defaults.

(c) Conference Report.

(d) Renders out of order any bill which, before approval of the First Concurrent Resolution, would alter the aggregate level of loan guarantees or direct lending. Provides that bills which would raise the level of loan guarantees or direct lending in future fiscal years are not out of order.

(e) Appropriations Committee summaries comparing appropriation bills direct spending totals to levels in First Concurrent Resolution would also compare levels of direct loans and loan guarantees to First Concurrent Resolution totals.

(f) Budget impact statements accompanying bill providing new Budget Authority to specify as well how the level of loan guarantees and direct loans in the bill, if any, compares with First Concurrent Resolution levels.

(g) CBO annual five-year budget projections to include loan guarantees and direct loans, as well as current requirements to project total budget authority, outlays, revenues and tax expenditures.

(h) Requires Second Concurrent Resolution to include binding ceilings for total amounts of direct loans and loan guarantees, as well as current binding ceilings on direct spending.
Also makes direct loans and loan guarantees subject to the reconciliation process.

(i) Any legislation introduced after passage of the Second Concurrent Resolution that would breach the ceilings for direct loans or loan guarantees would be subject to a Point of Order, as is direct spending under current law.

(k) Authorizing legislation cannot result in new direct loans or loan guarantees, except in such amounts as are provided in appropriations Acts.

Section-by-Section Analysis

(m) Current services budget submitted by the President every November must include current services estimates for loan guarantees and direct lending.
(n) Definitions.
(o) Amending the Budget and Accounting Act of 1921, to require the President to include all essential facts regarding loan guarantees and direct lending in his annual budget.

Sec. 4: Any agency which uses the Federal Financing Bank to borrow must report the level of budget authority and outlays which would have to resulted if the agency had borrowed directly from the market. The reports must be submitted to the Federal Financing Bank and to the OMB, so the transactions appear in the budget totals.

Sec. 5: (a) Departments and agencies carrying out mandated loan guarantee programs are to enter into commitments to guarantee up to the amounts permitted by law, subject only to the availability of qualified applicants.
(b) Titles.
(c) Procedures.
(d) The President is required to notify Congress whenever he proposes to rescind loan guarantee authority, and Congress must pass a bill rescinding the authority or the recission cannot occur (as current law requires for recissions of direct spending authority).
(e) The President is required to notify Congress whenever he proposes to defer loan guarantee authority, subject to a resolution of disapproval by either House of Congress (as current law requires for deferral of direct spending).
(f) The President is required to notify the Controller General of any recission or deferral of loan guarantee authority.
(h) The Controller General is authorized to sue the President for violations of impoundment controls regrading recission or deferral of loan guarantee authority (as is authorized under current law for direct spending).

Sec. 6: (a) CBO reports to the Budget committees to include estimates of the level of federal activity in each functional category arising from direct loans, loan guarantees, and tax expenditures.
(b) First Concurrent Resolution to include recommended level of total tax expenditures and allocate such expenditures among the functional categories.
(c) Budget impact statement for any bill affecting tax expenditures to include estimates of how the bill's proposed new or increased tax expenditures will affect the tax expenditure target in the First Resolution. Also requires the CBO to include tax expenditures in its periodic tabulations.

Section-by-Section Analysis

(d) Budget Committee authorized to include tax expenditures in its reconciliation instructions.

(e) Provides that any bill including new tax expenditures that would violate the ceiling on tax expenditures in the Second Concurrent Resolution would be out of order for floor consideration.

Sec. 7: The Treasury Department is directed to undertake a study of every tax expenditure designed to alter taxpayer behavior and report to Congress within two years, estimating the degree to which such change has been achieved and listing those tax expenditures which could be repealed without significantly affecting taxpayer behavior.

Daniel Patrick Moynihan

X

97th CONGRESS
1st Session

S. 384

Entitled the "Federal Expenditure Control Act of 1981".

IN THE SENATE OF THE UNITED STATES

February 3 (legislative day, January 5), 1981

Mr. Armstrong introduced the following bill; which was read twice and referred jointly, pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs with instructions that if one committee reports, the other committee has thirty days of continuous session to report or be discharged

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A BILL

Entitled the "Federal Expenditure Control Act of 1981".

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1011(3) of the Impoundment Control Act of 1974 is amended to read as follows:

"(3) 'rescission resolution' means a concurrent resolution of the Congress which disapproves, in whole or in part, the rescission of budget authority proposed in a special message transmitted by the President under section 1012, and upon which the Congress completes action before the end of the first period of 45 calendar days of continuous session of the Congress after the date on which the President's message is received by the Congress;".

(b) Section 1012(b) of such Act is amended to read as follows:

"(b) REQUIREMENT TO MAKE AVAILABLE FOR OBLIGATION.—Any amount of budget authority or any part thereof proposed to be rescinded or that is to be reserved as set forth in such special message shall be made available for obligation if, within the prescribed 45-day period, the Congress adopts a rescission resolution disapproving the rescission or reservation of such amount or part thereof.".

(c)(1) Section 1017(c)(5) of such Act is amended by striking out "bills and".

(2) Section 1017 of such Act is amended by striking out "bill or" each place it appears.

(3) Section 1017(c) of such Act is further amended by striking out "bill" each place it appears and inserting in lieu thereof "resolution".

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II

97TH CONGRESS
1ST SESSION

S. 1848

To amend the Congressional Budget Act of 1974 to impose limits on the amount of total budget outlays contained in concurrent resolutions on the budget, and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 16 (legislative day, NOVEMBER 2), 1981

Mr. GORTON (for himself, Mr. DOMENICI, Mr. DURENBURGER, Mr. KASTEN, Mr. NICKLES, Mr. QUAYLE, and Mr. MURKOWSKI) introduced the following bill; which was read twice and referred jointly pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs with instructions that if one committee reports, the other committee has thirty days of continuous session to report or be discharged

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A BILL

To amend the Congressional Budget Act of 1974 to impose limits on the amount of total budget outlays contained in concurrent resolutions on the budget, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, (a) title III of the Congressional Budget Act of 1974 is amended by inserting after section 301 the following new section:

"LIMITATIONS ON TOTAL BUDGET OUTLAYS

"SEC. 301A. (a) IN GENERAL.—Notwithstanding any other provision of law, it shall not be in order in the Senate or the House of Representatives to vote on the question of agreeing to any concurrent resolution on the budget or any amendment thereto or any conference report thereon for the fiscal year ending on September 30, 1983, or for any subsequent fiscal year if—

"(1) the adoption of such concurrent resolution;

"(2) the adoption of such amendment; or

"(3) the adoption of such concurrent resolution in the form recommended in such conference report;

would cause the total amount of budget outlays set forth in such concurrent resolution to exceed the amount specified for such fiscal year by subsection (b).

"(b) SPECIFICATION OF LIMITS.—For purposes of subsection (a), total budget outlays shall not exceed—

"(1) for the fiscal year ending on September 30, 1983, an amount equal to 22 percent of the adjusted gross national product;

"(2) for the fiscal year ending on September 30, 1984, an amount equal to 21.5 percent of the adjusted gross national product;

"(3) for the fiscal year ending on September 30, 1985, an amount equal to 21 percent of the adjusted gross national product;

"(4) for the fiscal year ending on September 30, 1986, an amount equal to 20.5 percent of the adjusted gross national product; and

"(5) for each fiscal year beginning on or after October 1, 1986, an amount equal to 20 percent of the adjusted gross national product.

"(c) MARGIN OF ERROR.—Notwithstanding subsections (a) and (b), it shall be in order to consider a concurrent resolution on the budget for any fiscal year to which subsections (a) and (b) apply or any conference report thereon if—

"(1) the adoption of such concurrent resolution; or

"(2) the adoption of such concurrent resolution in the form recommended in such conference report;

would cause the total amount of budget outlays set forth in such concurrent resolution to exceed the amount specified for such fiscal year by subsections (a) and (b) by an amount which is equal to not more than two-tenths of 1 percent of the adjusted gross national product.

"(d) POINT OF ORDER.—A point of order raised pursuant to subsections (a) and (b) may only be raised at the conclusion of debate and before a vote is taken on a concurrent resolution on the budget, an amendment thereto, or a conference report thereon. If any such point of order is sustained by the presiding officer of the House in which it is raised, an affirmative vote of three-fifths of the Members of such House duly chosen and sworn shall be required to sustain an appeal of such ruling. Debate on an appeal of such point of order shall be limited to 2 hours, to be equally divided between, and controlled by, the majority leader and the minority leader or their designees. An appeal on such a point of order is not subject to a motion to table.

"(e) WAIVER PROHIBITED.—The provisions of this section may not be waived pursuant to section 904(b).

"(f) DEFINITIONS.—For purposes of this section—

"(1) The term 'adjusted gross national product' means an amount equal to the number obtained by multiplying the gross national product for a fiscal year by (1 plus the floating gross national product trendline for such fiscal year), and by (1 plus the floating gross national product trendline for such fiscal year).

"(2) The term 'gross national product' means the gross national product as computed by the Department of Commerce for the most recently completed fiscal year preceding the fiscal year for which a concurrent resolution on the budget is being considered.

"(3) The term 'floating gross national product trendline' means the average annual rate of change of the gross national product during the 5 most recent full fiscal years preceding the fiscal year for which a concurrent resolution on the budget is being considered.".

(b) Section 301(d) of such Act (31 U.S.C. 1322(d)) is amended—

(1) by redesignating paragraphs (3) through (8) as paragraphs (4) through (9), respectively; and

(2) by inserting after paragraph (2) the following new paragraph:

"(3) specific recommendations concerning whether the total amount of budget outlays for such fiscal year should exceed the amount specified for such fiscal year under subsections (a) and (b) of section 301A;".

(c) Section 310(a) of such Act (31 U.S.C. 1331(a)) is amended by adding at the end thereof the following: "The report accompanying any such concurrent resolution on the budget shall contain specific recommendations concerning whether total budget outlays for such fiscal year should exceed the amount specified for such fiscal year by subsections (a) and (b) of section 301A.".

(d) Section 904 of such Act (31 U.S.C. 1301) is amended by—

(1) striking out "titles I, III, and IV" in subsection (a) and inserting in lieu thereof "title I, title III (except section 312(a)), and title IV"; and

(2) striking out "or IV" in subsection (b) and inserting in lieu thereof "(except section 301A) or title IV".

(e) Title III of such Act is further amended by inserting at the end thereof the following new section:

"NOTIFICATION BY THE PRESIDENT OF EXCESS SPENDING

"SEC. 312. (a) NOTIFICATION.—The President shall transmit a notice to the Committees on the Budget of the Senate and the House of Representatives at any time he determines that the amount of total budget outlays for a fiscal year will exceed the amount of total budget outlays for such fiscal year set forth in the second required concurrent resolution adopted pursuant to section 310 for such fiscal year or in any concurrent resolution on the budget for such fiscal year adopted after such second required concurrent resolution for such fiscal year. The notice shall include recommendations for legislation, rescissions, deferrals, and other actions that will reduce actual outlays to the amount specified in such concurrent resolution.

"(b) REVISED CONCURRENT RESOLUTION ON THE BUDGET AND RECONCILIATION INSTRUCTIONS.—Within 45 days after receipt of the notice required by subsection (a) for any fiscal year, the Committees on the Budget of the Senate and the House of Representatives shall each report to their respective Houses a concurrent resolution on the budget which contains appropriate revisions of the most recently agreed to concurrent resolution on the budget for such fiscal year. Such revised concurrent resolution may contain specifications and directions for one or more committees to determine and recommend changes in bills, laws, and resolutions in accordance with this title and to report or submit such determinations and recommendations pursuant to the procedures established by section 310(c).".

(f) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended—

(1) by inserting after the item relating to section 301 the following new item:

"Sec. 301A. Limitations on total budget outlays."; and

(2) by inserting after the item relating to section 311 the following new item:

"Sec. 312. Notification by the President of excess spending.".

SEC. 2. Section 201 of the Budget and Accounting Act, 1921 (31 U.S.C. 11) is amended—

(1) by striking out "and" at the end of subparagraph (B) of paragraph (12) of subsection (a);

(2) by striking out the period at the end of paragraph (13) of subsection (a) and inserting in lieu thereof "; and";

(3) by adding at the end of subsection (a) the following new paragraph:

"(14) recommendations for insuring that total budget outlays for the ensuing fiscal year do not exceed the amount specified for such fiscal year by subsections (a) and (b) of section 301A of the Congressional Budget Act of 1974, or a detailed statement specifying the reasons why total outlays for such fiscal year should exceed such amount and recommendations for methods to reduce as soon as possible total outlays to the amount specified for such fiscal year by section 301A."; and

(4) by inserting after the third sentence in subsection (g) the following: "The statement transmitted on or before July 15 of any year shall include a report on the progress made since the transmittal of the message required by subsection (a) toward insuring that total budget outlays for the fiscal year in progress do not exceed the amount specified for such fiscal year by section 301A of the Congressional Budget Act of 1974.".

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II

97TH CONGRESS
1ST SESSION

S. 938

To amend section 304 of the Congressional Budget and Impoundment Control Act of 1974 to require a two-thirds vote for the adoption of any concurrent resolution on the budget for a fiscal year which revises the concurrent resolution on the budget most recently agreed to for such fiscal year if the appropriate level of total budget authority or total budget outlays or the recommended level of Federal revenues set forth in the concurrent resolution on the budget making such revisions exceeds the appropriate level of total budget authority or total budget outlays or the recommended level of Federal revenues, as the case may be, set forth in the first concurrent resolution on the budget for such fiscal year.

IN THE SENATE OF THE UNITED STATES

APRIL 8 (legislative day, FEBRUARY 16), 1981

Mr. ROTH introduced the following bill; which was read twice and referred jointly, pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs with instructions that if one committee reports, the other committee has thirty days of continuous session to report or be discharged

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A BILL

To amend section 304 of the Congressional Budget and Impoundment Control Act of 1974 to require a two-thirds vote for the adoption of any concurrent resolution on the budget for a fiscal year which revises the concurrent resolution on the budget most recently agreed to for such fiscal year if the appropriate level of total budget authority or total budget outlays or the recommended level of Federal revenues set forth in the concurrent resolution on the budget making such revisions exceeds the appropriate level of total budget authority or total budget outlays or the recommended level of Federal revenues, as the case may be, set forth in the first concurrent resolution on the budget for such fiscal year.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 304 of the Congressional Budget and Impoundment Control Act is amended by inserting "(a) REVISIONS PERMITTED.—" before "At" and by adding at the end thereof the following new subsection:

"(b) TWO-THIRDS VOTE REQUIRED.—Beginning with the fiscal year ending on September 30, 1982, if any concurrent resolution on the budget for a fiscal year which revises the concurrent resolution on the budget most recently agreed to for such fiscal year, or the conference report on any such concurrent resolution on the budget, sets forth for such fiscal year an appropriate level of total budget authority or total budget outlays or a recommended level of Federal revenues which is greater than the appropriate level of total budget authority or total budget outlays or the recommended level of Federal revenues, as the case may be, set forth in the concurrent resolution on the budget for such fiscal year adopted under section 301, the question of agreeing to the concurrent resolution on the budget making such revisions or any conference report thereon, in either the House of Representatives or the Senate, shall be determined by the affirmative vote of two-thirds of the Members present and voting (a quorum being present), by rollcall vote.".

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II

97TH CONGRESS
2D SESSION

S. 2629

To provide for a two-year budget process, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 15 (legislative day, JUNE 8), 1982

Mr. ROTH introduced the following bill; which was read twice and referred jointly pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs with instructions that if one committee reports, the other committee has thirty days of continuous session to report or be discharged

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A BILL

To provide for a two-year budget process, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Budget Reform Act of 1982".

STATEMENT OF PURPOSE

SEC. 2. It is the purpose of this Act—

(1) to establish a process through which the Federal budget will be adopted for a two-year period;

(2) to improve congressional control over the Federal budget process;

(3) to streamline the requirements of the budget process in order to promote better accountability to the public;

(4) to improve the legislative and budgetary processes by providing additional time for congressional oversight and other vital legislative activities;

(5) to provide stability and coherence for recipients of Federal funds; and

(6) to implement other improvements in the Federal budget process.

TWO-YEAR CONGRESSIONAL BUDGET PROCESS

SEC. 3. (a) Section 2(2) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "each year" and inserting in lieu thereof "every two years".

(b)(1) Section 3(1) of such Act is amended—

(A) by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period"; and

(B) by striking out "such year" and inserting in lieu thereof "such period".

(2) Section 3(4) of such Act is amended to read as follows:

"(4) The term 'concurrent resolution on the budget' means—

"(A) a concurrent resolution setting forth the congressional budget for the United States Government for a two-year fiscal period as provided in section 301; or

"(B) a concurrent resolution on the budget revising the congressional budget for the United States Government pursuant to section 304.".

(3) Section 3 of such Act is further amended by adding at the end thereof the following new paragraphs:

"(6) The term 'two-year fiscal period' means the period of two years beginning on January 1 of each even-numbered year.

"(7) The term 'omnibus appropriation bill' means the bill providing new budget authority for a two-year fiscal period for all departments, agencies, and authorities of the Government.

"(8) The term 'supplemental appropriation bill' means a bill providing new budget authority for a two-year fiscal period for one or more departments, agencies, or authorities of the Government, which is considered in accordance with section 307(c).".

(c)(1) Section 202(a)(1) of the Congressional Budget Act of 1974 is amended—

(A) by inserting "omnibus" before "appropriation bills";

(B) by striking out "and other" and inserting in lieu thereof "supplemental appropriation bills,"; and

(C) by striking out "or providing budget authority or" and inserting in lieu thereof "budget authority, and bills authorizing or providing".

(2) Section 202(f) of such Act is amended—

(A) by striking out "April 1 of each year" in paragraph (1) and inserting in lieu thereof "April 15 and July 15 of each odd-numbered year";

(B) by striking out "fiscal year commencing on October 1 of that year" in paragraph (1) and inserting in lieu thereof "two-year fiscal period beginning on January 1 of the succeeding year";

(C) by striking out "such fiscal year" each place it appears in paragraph (1) and inserting in lieu thereof "such two-year fiscal period";

(D) by redesignating paragraph (2) as paragraph (3), and (in such paragraph) by striking out "paragraph (1)" and inserting in lieu thereof "paragraphs (1) and (2)"; and

(E) by inserting after paragraph (1) the following new paragraph:

"(2) On January 15 and July 15 of each even-numbered year, the Director shall submit to the Committees on the Budget of the House of Representatives and the Senate such revisions of the report required by paragraph (1) as may be necessary with respect to the two-year fiscal period in progress.".

(d) Section 300 of such Act is amended to read as follows:

"TIMETABLE

"SEC. 300. The timetable with respect to the congressional budget process for any Congress (beginning with the Ninety-eighth Congress) is as follows:

"First Session

"On or before:	Action to be completed:
January 2	Committees submit oversight reports to their respective Houses.
15th day after Congress meets.	President submits his budget for the two-year fiscal period beginning in the succeeding calendar year, including current services budget.
March 31	Committees and joint committees submit views and estimates to Budget Committees with respect to two-year fiscal period.
April 15	Congressional Budget Office submits report to the Budget Committees with respect to the two-year fiscal period beginning on January 1 of the succeeding year.
April 30	Budget Committees report concurrent resolution on the budget for the two-year fiscal period to their respective Houses.
May 15	Committees report bills and resolutions authorizing new budget authority.
May 31	Congress completes action on concurrent resolution on the budget for the two-year fiscal period.
June 15	House Appropriations Committee reports the omnibus appropriation bill for the two-year fiscal period.
July 15	President and Congressional Budget Office report to the Budget Committees.
July 31	House completes action on the omnibus appropriation bill for the two-year fiscal period.

“First Session—Continued

“On or before:	Action to be completed:
7th day after Labor Day	Senate Appropriations Committee reports the omnibus appropriation bill for the two-year fiscal period.
September 30	Senate completes action on the omnibus appropriation bill for two-year fiscal period.
September 30	Congress completes action on bills and resolutions providing new spending authority for two-year fiscal period.
October 15	Congress completes action on the omnibus appropriation bill for two-year fiscal period.
	Second Session
January 1	Two-year fiscal period begins.
January 15	President and Congressional Budget Office report to Budget Committees.
July 15	President and Congressional Budget Office report to Budget Committees.
During session	Committees conduct oversight on programs and activities within their jurisdiction.”.

(c)(1)(A) The section heading for section 301 of such Act is amended by striking out “FIRST”.

(B) The item relating to section 301 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out “first”.

(2) Section 301(a) of the Congressional Budget Act of 1974 is amended—

(A) by striking out “May 15” in the subsection heading and inserting in lieu thereof “May 31 of each odd-numbered year”;

(B) by striking out “May 15 of each year” in the first sentence and inserting in lieu thereof “May 31 of each odd-numbered year”;

(C) by striking out "first" before "concurrent resolution on the budget" in the first sentence;

(D) by striking out "fiscal year beginning on October 1 of such year" and inserting in lieu thereof "two-year fiscal period beginning on January 1 of the succeeding year"; and

(E) by striking out "an appropriate" in paragraph (2) and inserting in lieu thereof "a recommended".

(3) Section 301(b) of such Act is amended to read as follows:

"(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The concurrent resolution on the budget referred to in subsection (a) may also require any other procedure which is considered appropriate to carry out the purposes of this Act.".

(4) Section 301(c) of such Act is amended—

(A) by striking out "March 15 of each year" and inserting in lieu thereof "March 31 of each odd-numbered year"; and

(B) by striking out "fiscal year beginning on October 1 of such year" in paragraph (2) and inserting in lieu thereof "two-year fiscal period beginning on January 1 of the succeeding year".

(5) Section 301(d) of such Act is amended—

(A) by striking out "first" each place it appears before "concurrent resolution on the budget" in the first and third sentences;

(B) by striking out "fiscal year" in the first sentence and inserting in lieu thereof "two-year fiscal period";

(C) by striking out "April 15 of each year" in the third sentence and inserting in lieu thereof "April 30 of each odd-numbered year";

(D) by striking out "fiscal year beginning on October 1 of such year" in the third sentence and inserting in lieu thereof "two-year fiscal period beginning on January 1 of the succeeding year";

(E) by striking out "five fiscal" in paragraph (6) and inserting in lieu thereof "six";

(F) by striking out "such fiscal year" in such paragraph and inserting in lieu thereof "the first year in such two-year fiscal period,"; and

(G) by striking out "each fiscal year in such period" and inserting in lieu thereof "each two-year fiscal period in such six-year period".

(6) Section 301(e) of such Act is amended—

(A) by striking out "set for" in paragraph (1) and inserting in lieu thereof "set forth";

(B) by striking out "first" before "concurrent resolution on the budget" in paragraph (2);

(C) by inserting "referred to in subsection (a)" after "concurrent resolution on the budget" in such paragraph; and

(D) by striking out "fiscal year" in such paragraph and inserting in lieu thereof "two-year fiscal period".

(f) Section 302(c) of such Act is amended by striking out "or 310".

(g)(1) The section heading for section 303 of such Act is amended by striking out "FIRST".

(2) The item relating to section 303 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "First concurrent" and inserting in lieu thereof "Concurrent".

(3) Section 303(a) of the Congressional Budget Act of 1974 is amended—

(A) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period";

(B) by striking out "first" before "concurrent resolution on the budget" in the matter following paragraph (4);

(C) by inserting "referred to in section 301" after "concurrent resolution on the budget" in the matter following paragraph (4);

(D) by striking out "year" in the matter following paragraph (4) and inserting in lieu thereof "period"; and

(E) by striking out "pursuant to section 301" in the matter following paragraph (4).

(4) Section 303(b) of such Act is amended by striking out "fiscal year" each place it appears in paragraphs (1) and (2) and inserting in lieu thereof "two-year fiscal period".

(h) Section 304 of such Act is amended—

(1) by striking out "first" before "concurrent resolution on the budget";

(2) by inserting "referred to in section 301" after "concurrent resolution on the budget";

(3) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period";

(4) by striking out "pursuant to section 301" after "has been agreed to"; and

(5) by striking out "most recently agreed to" and inserting in lieu thereof "if the concurrent resolution on the budget making such revisions, and any conference report thereon, is agreed to by a rollcall vote of two-

thirds of the Members of the Senate and the House of Representatives duly chosen and sworn".

(i)(1) Section 305(a)(3) of such Act is amended—

(A) by striking out "first" before "concurrent resolution on the budget";

(B) by inserting "referred to in section 301(a)" after "concurrent resolution on the budget"; and

(C) by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(2) Section 305(b) of such Act is amended—

(A) by striking out ", except that, with respect to the second required concurrent resolution referred to in section 310(a), all such debate shall be limited to not more than 15 hours" in paragraph (1);

(B) by striking out "first" before "concurrent resolution on the budget" in paragraph (3);

(C) by inserting "referred to in section 301(a)" after "concurrent resolution on the budget" in such paragraph; and

(D) by striking out "fiscal year" in such paragraph and inserting in lieu thereof "two-year fiscal period".

(j)(1) Section 307 of such Act is amended to read as follows:

"OMNIBUS APPROPRIATION BILL REQUIRED

"SEC. 307. (a) POINT OF ORDER.—Except as provided in subsection (c), it shall not be in order in the House of Representatives or the Senate to consider any bill or resolution providing new budget authority for a two-year fiscal period other than an omnibus appropriation bill.

"(b) DEADLINES.—(1) The Committee on Appropriations of the House of Representatives shall report to the House of Representatives an omnibus appropriation bill for a two-year fiscal period by June 15 of the year preceding the year in which such period begins.

"(2) The House of Representatives shall pass an omnibus appropriation bill for a two-year fiscal period by July 31 of the year preceding the year in which such period begins.

"(3) The Committee on Appropriations of the Senate shall report to the Senate an omnibus appropriation bill for a two-year fiscal period by the seventh day after Labor Day of the year preceding the year in which such period begins.

"(4) The Senate shall pass an omnibus appropriation bill for a two-year fiscal period by September 30 of the year preceding the year in which such period begins.

"(5) Congress shall complete action on an omnibus appropriation bill for a two-year fiscal period by October 15 of the year preceding the year in which such period begins.

"(c) SUPPLEMENTAL APPROPRIATION BILL PERMITTED.—It shall be in order in the House of Representatives or the Senate to consider a supplemental appropriation bill for a two-year fiscal period at any time after the Congress adopts a concurrent resolution on the budget pursuant to section 304 which revises the concurrent resolution on the budget agreed to pursuant to section 301 for such two-year fiscal period, or the most recently agreed to concurrent resolution on the budget for such two-year fiscal period, as the case may be.

"(d) AMENDMENTS.—It shall not be in order in the House of Representatives or the Senate to consider any amendment providing new budget authority for a two-year fiscal period unless such amendment is an amendment to an omnibus appropriation bill or a supplemental appropriation bill.".

(2) The item relating to section 307 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended to read as follows:

"SEC. 307. Omnibus appropriation bill required.".

(k)(1) Section 308(a) of the Congressional Budget Act of 1974 is amended—

(A) by inserting "to its House an omnibus appropriation bill, a supplemental appropriation bill, or" after "either House reports" in the matter preceding paragraph (1);

(B) by striking out "to its House" after "a bill or resolution" in the matter preceding paragraph (1),

(C) by striking out "new budget authority (other than continuing appropriations) or" before "new or increased tax expenditures" in the matter preceding paragraph (1);

(D) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "two-year fiscal period";

(E) by striking out "a bill or resolution providing new budget authority" in paragraph (1) and inserting in lieu thereof "an omnibus appropriation bill or a supplemental appropriation bill";

(F) by striking out "or resolution" in paragraph (1)(A);

(G) by striking out "fiscal year" in paragraph (1)(A) and inserting in lieu thereof "two-year fiscal period";

(H) by inserting a comma after "a projection" in paragraph (1)(B);

(I) by striking out "5 fiscal" in paragraph (1)(B) and inserting in lieu thereof "6";

(J) by striking out "such fiscal year" in paragraph (1)(B) and inserting in lieu thereof "the first year in such two-year fiscal period,";

(K) by striking out "or resolution" in paragraph (1)(B);

(L) by striking out "each fiscal year in such period" in paragraph (1)(B) and inserting in lieu thereof "each two-year fiscal period in such 6-year period";

(M) by striking out "or resolution" in paragraph (1)(C);

(N) by striking out "fiscal year" in paragraph (2)(A) and inserting in lieu thereof "two-year fiscal period";

(O) by striking out "such year" in paragraph (2)(A) and inserting in lieu thereof "such period";

(P) by inserting a comma after "a projection" in paragraph (2)(B);

(Q) by striking out "5 fiscal" in paragraph (2)(B) and inserting in lieu thereof "6";

(R) by striking out "such fiscal year" in paragraph (2)(B) and inserting in lieu thereof "the first year in such two-year fiscal period,";

(S) by striking out "each fiscal year in such period" in paragraph (2)(B) and inserting in lieu thereof "each two-year fiscal period in such 6-year period"; and

(T) by striking out "fiscal year" each place it appears in the last sentence and inserting in lieu thereof "two-year fiscal period".

(2) Section 308(b) of such Act is amended—

(A) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period"; and

(B) by striking out "such year" each place it appears and inserting in lieu thereof "such period".

(3) Section 308(c) of such Act is amended—

(A) by striking out "FIVE-YEAR" in the subsection heading and inserting in lieu thereof "SIX-YEAR";

(B) by striking out "each fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "each two-year fiscal period";

(C) by striking out "5 fiscal years beginning with such fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "6 years beginning with the first year in such two-year fiscal period";

(D) by striking out "each fiscal year" each place it appears in paragraphs (1), (2), and (3) and inserting in lieu thereof "each two-year fiscal period"; and

(E) by striking out "such period" each place it appears in paragraphs (1), (2), and (3) and inserting in lieu thereof "such 6-year period".

(l)(1) Section 309 of such Act is amended to read as follows:

"COMPLETION OF ACTION ON BILLS PROVIDING CERTAIN NEW SPENDING AUTHORITY

"SEC. 309. Except as otherwise provided pursuant to this title, not later than September 30 of each odd-numbered year, the Congress shall complete action on all bills and resolutions providing new spending authority described in section 401(c)(2)(C) which is to become effective during the two-year fiscal period beginning on January 1 of the succeeding year.".

(2) The item relating to section 309 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended to read as follows:

"Sec. 309. Completion of action on bills providing certain new spending authority.".

(m)(1)(A) The section heading of section 310 of the Congressional Budget Act of 1974 is amended by striking out "SECOND REQUIRED CONCURRENT RESOLUTION AND".

(B) The item relating to section 310 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "Second required concurrent resolution and reconciliation" and inserting in lieu thereof "RECONCILIATION".

(2) Section 310(a) of the Congressional Budget Act of 1974 is amended—

(A) by striking out the matter preceding paragraph (1) and inserting in lieu thereof the following:

"SEC. 310. (a) REPORTING OF CONCURRENT RESOLUTION.—At any time after the concurrent resolution on the budget referred to in section 301 for a two-year fiscal period has been agreed to, and before the end of such two-year fiscal period, the Congress may adopt a concurrent resolution for such two-year fiscal period which shall, to the extent necessary—";

(B) by striking out "such fiscal year" each place it appears in paragraph (1) and inserting in lieu thereof "such two-year fiscal period"; and

(C) by inserting "or prior two-year fiscal periods, as the case may be" before the semicolon in paragraph (1)(B).

(3) Section 310 of such Act is amended by striking out subsection (b) and by redesignating subsections (c) through (f) as subsections (b) through (e), respectively.

(4) Section 310(c) of such Act (as redesignated by paragraph (3) of this subsection) is amended—

(A) by striking out "subsection (c)" and inserting in lieu thereof "subsection (b)"; and

(B) by striking out "September 25 of each year" and inserting in lieu thereof "60 days after the date on which the concurrent resolution referred to in subsection (a) is agreed to".

(5) Section 310(d) of such Act (as redesignated by paragraph (3) of this subsection) is amended—

(A) by inserting "concurrent resolutions referred to in subsection (a)," after "consideration in the Senate of" in paragraph (1);

(B) by inserting a comma after "reconciliation bills" in such paragraph; and

(C) by striking out "subsection (c)" each place it appears in paragraphs (1) and (2) and inserting in lieu thereof "subsection (b)".

(6) Section 310(e) of such Act (as redesignated by paragraph (3) of this subsection) is amended—

(A) by striking out "the concurrent resolution on the budget required to be reported under subsection (a) for the fiscal year beginning on October 1 of such year, and, if a" and inserting in lieu thereof "any";

(B) by striking out "is" before "required to be reported"; and

(C) by striking out "subsection (c) for such fiscal year, unless the Congress has completed action on that bill or resolution, or both" and inserting in lieu thereof "subsection (b) for a two-year fiscal period".

(n)(1) Section 311(a) of such Act is amended—

(A) by striking out "section 310(a) for a fiscal year" and inserting in lieu thereof "section 301(a) for a two-year fiscal period";

(B) by striking out "section 310(c)" and inserting in lieu thereof "section 310(b)";

(C) by striking out "any bill, resolution, or amendment providing additional new budget authority for such fiscal year," and inserting in lieu thereof "any omnibus appropriation bill or supplemental appropriation bill for a two-year fiscal period or any amendment thereto, any bill or resolution";

(D) by inserting "any bill or resolution" before "reducing revenues"; and

(E) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(2) Section 311 of such Act is further amended—

(A) by redesignating subsection (b) as subsection (c) and in such subsection—

(i) by striking out "subsection (a)" and inserting in lieu thereof "subsections (a) and (b)"; and

(ii) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period"; and

(B) by inserting after subsection (a) the following new subsection:

"(b) Enrollment Prohibited.—No omnibus appropriation bill for a two-year fiscal period, supplemental appropriation bill for such a period, or bill or resolution providing new spending authority described in section 401(c)(2)(C) for such a period shall be enrolled if the amount of new budget authority or new spending authority described in section 401(c)(2)(C) provided in that bill or resolution would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such two-year fiscal period to be exceeded.".

(o)(1) Section 401(a) of such Act is amended by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(2) Section 401(b) of such Act is amended—

(A) by striking out "fiscal year" each place it appears in paragraphs (1) and (2) and inserting in lieu thereof "two-year fiscal period"; and

(B) by striking out "during the calendar year in" in paragraph (1) and inserting in lieu thereof "after the date on".

(p) Section 402(a) of such Act is amended—

(1) by striking out "preceding the beginning of such fiscal year" and inserting in lieu thereof "of the odd-numbered year preceding the year in which such two-year fiscal period begins"; and

(2) by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(q) Section 403(a) of such Act is amended—

(1) by striking out "fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year" in paragraph (1) and inserting in lieu thereof "two-year fiscal period in which it is to become effective and in the two succeeding two-year fiscal periods";

(2) by striking out "fiscal year" the first place it appears in paragraph (2) and inserting in lieu thereof "two-year fiscal period"; and

(3) by striking out "four fiscal years following such fiscal year" in such paragraph and inserting in lieu thereof "two succeeding two-year fiscal periods".

(r)(1) Section 605(a) of such Act is amended—

(A) by striking out "On or before November 10 of each year (beginning with 1975)," in the first sentence and inserting in lieu thereof "At the time the President submits the Budget for a two-year fiscal period under section 201(a) of the Budget and Accounting Act, 1921 (beginning with the Budget submitted for the two-year fiscal period beginning on January 1, 1984),";

(B) by inserting "a statement of" before "the estimated outlays" in the first sentence;

(C) by striking out "the Budget to be submitted pursuant to section 201 of the Budget and Accounting Act, 1921, for the ensuing fiscal year" in the first sentence and inserting in lieu thereof "such Budget for such two-year fiscal period";

(D) by striking out "ensuing fiscal year" in the first sentence and inserting in lieu thereof "two-year fiscal period";

(E) by inserting "or the two-year fiscal period in progress, as the case may be," before "and without policy changes" in the first sentence;

(F) by inserting "statement of" before "estimated outlays and proposed budget authority" in the second sentence;

(G) by striking out "these estimates" in the third sentence and inserting in lieu thereof "such statement"; and

(H) by inserting "included in such statement" after "estimated outlays and proposed budget authority" in the third sentence.

(2) Section 605(b) of such Act is amended—

(A) by inserting "statement of" before "estimated outlays and proposed budget authority"; and

(B) by striking out "December 31 of each year" and inserting in lieu thereof "March 31 of each odd-numbered year".

(s)(1) Section 607 of such Act is amended—

(A) by striking out "fiscal year (beginning with the fiscal year commencing October 1, 1976)" and inserting in lieu thereof "two-year fiscal period (beginning with the two-year fiscal period commencing January 1, 1984)";

(B) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period";

(C) by striking out "May 15 of the year" and inserting in lieu thereof "May 15 of the even-numbered year"; and

(D) by striking out "fiscal years" and inserting in lieu thereof "two-year fiscal periods".

(2) The section heading for section 607 of such Act is amended by striking out "YEAR-AHEAD" and inserting in lieu thereof "ADVANCE".

(3) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is

amended by striking out "Year-ahead" and inserting in lieu thereof "Advance".

(t) Section 904(b) of the Congressional Budget Act of 1974 is amended by striking out "title III or IV" and inserting in lieu thereof "title III (except section 304 or section 311(b)) or title IV".

(u)(1) Section 1012(a) of the Impoundment Control Act of 1974 is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(2) The last sentence of section 1013(a) of such Act is amended by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(3) Section 1014(e) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(v) Paragraph 8(b) of rule XXVI of the Standing Rules of the Senate is amended by striking out "March 31" and inserting in lieu thereof "January 2".

(w)(1) Clause 1(b)(4) of rule X of the Rules of the House of Representatives is amended by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(2) Clause 4(a)(1)(A) of rule X of the Rules of the House of Representatives is amended by inserting "odd-numbered" after "each".

(3) Clause 4(a)(2) of rule X of the Rules of the House of Representatives is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(4) Clause 4(b)(2) of rule X of the Rules of the House of Representatives is amended—

(A) by striking out "first"; and

(B) by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(5) Clause 4(f) of rule X of the Rules of the House of Representatives is amended by striking out "annually" each place it appears and inserting in lieu thereof "biennially".

(6) Clause 4(g) of rule X of the Rules of the House of Representatives is amended—

(A) by striking out "March 15 of each year" and inserting in lieu thereof "March 31 of each odd-numbered year"; and

(B) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(7) Clause 4(h) of rule X of the Rules of the House of Representatives is amended by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(8) Clause 2(l)(1)(C) of rule XI of the Rules of the House of Representatives is repealed.

(9) Clause 4(a) of rule XI of the Rules of the House of Representatives is amended by striking out "on general appropriations bills and on joint resolutions continuing appropriations for a fiscal year if reported after September 15 preceding the beginning of such fiscal year" and inserting in lieu thereof "on omnibus appropriation bills and supplemental appropriation bills".

(10) Clause 1 of rule XLIX of the Rules of the House of Representatives is amended—

(A) by striking out the comma after "301" and inserting in lieu thereof "or"; and

(B) by striking out ", or 310".

(11) Clause 2 of rule XLIX of the Rules of the House of Representatives is amended by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

SUBMISSION OF PRESIDENT'S BUDGET

SEC. 4. (a) Section 2 of the Budget and Accounting Act, 1921 (31 U.S.C. 2) is amended by adding at the end thereof the following new item:

"The term 'two-year fiscal period' shall have the meaning given to such term in paragraph (6) of section 3 of the Congressional Budget Act of 1974.".

(b)(1) Section 201(a) of such Act is amended—

(A) by striking out "each regular session" in the matter preceding paragraph (1) and inserting in lieu thereof "the first regular session of each Congress";

(B) by inserting "for the two-year fiscal period beginning on January 1 of the succeeding year" after "the Budget" in the matter preceding paragraph (1);

(C) by striking out "fiscal year and projections for the four fiscal years immediately following the ensuing fiscal year" in paragraph (5) and inserting in lieu thereof "two-year fiscal period and projections for the first two two-year fiscal periods immediately following such two-year fiscal period";

(D) by striking out "each year" in paragraph (5) and inserting in lieu thereof "each even-numbered year";

(E) by striking out "fiscal year and projections for the four fiscal years immediately following the ensuing fiscal year" in paragraph (6) and inserting in lieu thereof "two-year fiscal period and projections for the first two two-year fiscal periods immediately following such two-year fiscal period";

(F) by inserting "or the last completed two-year fiscal period, as the case may be" before the semicolon in paragraph (7);

(G) by inserting "or the two-year fiscal period in progress, as the case may be" before the semicolon in paragraph (8);

(H) by inserting "or the last completed two-year fiscal period, as the case may be" after "last completed fiscal year" in clause (1) of paragraph (9);

(I) by inserting "or at the end of the two-year fiscal period in progress, as the case may be" after "the fiscal year in progress" in clause (2) of paragraph (9);

(J) by striking out "ensuing fiscal year" in clause (3) of paragraph (9) and inserting in lieu thereof "ensuing two-year fiscal period";

(K) by striking out "fiscal year" in subparagraph (A) of paragraph (12) and inserting in lieu thereof "two-year fiscal period";

(L) by striking out "four fiscal years, immediately following that ensuing fiscal year" in subparagraph (B) of paragraph (12) and inserting in lieu thereof "first two two-year fiscal periods following such two-year fiscal period"; and

(M) by striking out "fiscal year" each place it appears in paragraph (13) and inserting in lieu thereof "two-year fiscal period".

(2) Section 201(b) of such Act is amended—

(A) by striking out "July 15 of each year" in the matter preceding paragraph (1) and inserting in lieu thereof "July 15 of each odd-numbered year";

(B) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "two-year fiscal period"; and

(C) by striking out "fiscal year" each place it appears in paragraphs (1) and (3) and inserting in lieu thereof "two-year fiscal period".

(3) Section 201(c) of such Act is amended—

(A) by striking out "July 15 of each year" in the matter preceding paragraph (1) and inserting in lieu thereof "July 15 of each odd-numbered year";

(B) by striking out "four fiscal years following the ensuing fiscal year" in paragraph (1) and inserting in lieu thereof "two two-year fiscal periods following the ensuing two-year fiscal period"; and

(C) by striking out "fiscal years following such ensuing fiscal year" in paragraph (2) and inserting in lieu thereof "two-year fiscal periods following such ensuing two-year fiscal period".

(4) Section 201(d) of such Act is amended by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period".

(5) Section 201(e) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(6) Section 201(f) of such Act is amended—

(A) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "two-year fiscal period";

(B) by inserting "or the last completed two-year fiscal period, as the case may be" after "last completed fiscal year" in paragraph (1);

(C) by inserting "or two-year fiscal period, as the case may be" before the semicolon in such paragraph;

(D) by inserting "or the last completed two-year fiscal period, as the case may be" after "last completed fiscal year" in paragraph (2);

(E) by inserting "or such period, as the case may be" after "received during such year" in such paragraph;

(F) by inserting "or such period, as the case may be," before the semicolon in such paragraph;

(G) by inserting "or such two-year fiscal period, as the case may be," after "such fiscal year" the first place it appears in paragraph (3); and

(H) by inserting "or such two-year fiscal period as the case may be" before the period in such paragraph.

(7) Section 201(g) of such Act is amended—

(A) by inserting "(1)" before "The" in the first sentence;

(B) by striking out "April 10 and July 15 of each year" in the first sentence and inserting in lieu thereof "July 15 of each odd-numbered year";

(C) by striking out "fiscal year" in the first sentence and inserting in lieu thereof "two-year fiscal period";

(D) by striking out "transmitted on or before July 15 of any year" in the third sentence and inserting in lieu thereof "required under this subsection";

(E) by striking out "any fiscal year" in the last sentence and inserting in lieu thereof "any two-year fiscal period";

(F) by inserting "or the two-year fiscal period, as the case may be," before "in progress" in the last sentence; and

(G) by inserting after paragraph (1) (as redesignated by paragraph (1) of this subsection) the following new paragraph:

"(2) On January 15 and July 15 of each even-numbered year, the President shall submit to the Congress a revision of the statement required by paragraph (1) with respect to the fiscal year in progress.".

(8) Section 201(h) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(9) Section 201(i) of such Act is amended by striking out "fiscal year, beginning with the fiscal year ending September 30, 1979," and inserting in lieu thereof "two-year fiscal period, beginning with the two-year fiscal period ending December 31, 1985,".

(10) Section 201 of such Act is further amended by adding at the end thereof the following new subsection:

"(k) Notwithstanding any other provision of law, the President shall include in the Budget submitted under subsection (a) proposed budget authority, direct loans, and commitments to guarantee loan principal, and estimates of outlays and receipts for all activities of all departments, establishments, and instrumentalities of the Federal Government, except Government-sponsored corporations to the extent financed by wholly private funds.".

(c) Section 202 of such Act (31 U.S.C. 13) is amended—

(1) by striking out "ensuing fiscal year" each place it appears and inserting in lieu thereof "ensuing two-year fiscal period"; and

(2) by inserting "or the two-year fiscal period in progress, as the case may be," after "progress,".

(d) Section 203 of such Act (31 U.S.C. 14) is amended by striking out "or deficiency" each place it appears.

(e) Section 204(b) of such Act (31 U.S.C. 581(b)) is amended by striking out "or deficiency".

(f) Section 207 of such Act (31 U.S.C. 16) is amended by striking out "or deficiency".

(g) Section 214 of such Act (31 U.S.C. 22) is amended—

(1) by striking out "in each year" and inserting in lieu thereof "for each two-year fiscal period";

(2) by striking out the comma after "regular" and inserting in lieu thereof "or"; and

(3) by striking out ", or deficiency".

(h) Section 216(a) of such Act (31 U.S.C. 24(a)) is amended—

(1) by striking out the comma after "regular" and inserting in lieu thereof "or"; and

(2) by striking out ", or deficiency".

(i) Section 304 of the Department of Commerce Appropriation Act, 1963 (31 U.S.C. 25) is amended by striking out "fiscal year 1964 and each succeeding year" and inserting in lieu thereof "the two-year fiscal period beginning on January 1, 1984, and each succeeding two-year fiscal period".

(j) Section 102 of the District of Columbia Revenue Act of 1970 (31 U.S.C. 26) is amended—

(1) by striking out the comma after "regular" and inserting in lieu thereof "and"; and

(2) by striking out ", and deficiency".

(k) Section 318(a) of the Department of Transportation and Related Agencies Appropriation Act, 1982 (31 U.S.C. 28(a)) is amended by striking out "annually" and inserting in lieu thereof "biennially".

(l) Section 3670 of the Revised Statutes (31 U.S.C. 624) is amended—

(1) by striking out "annual";

(2) by inserting "for a two-year fiscal period" after "service" the first place it appears; and

(3) by striking out "year" and inserting in lieu thereof "period".

CONVERSION TO BIENNIAL FISCAL PERIOD

SEC. 5. (a)(1) Section 237(a) of the Revised Statutes (31 U.S.C. 1020(a)) is amended to read as follows:

"(a) In all matters of accounts, receipts, expenditures, estimates, and appropriations—

"(1) there shall be, through September 30, 1983, a fiscal year of the United States commencing on October 1 of each year and ending on September 30 of the following year; and

"(2) there shall be, beginning on January 1, 1984, a two-year fiscal period of the United States beginning on January 1 of each even-numbered year and ending on December 31 of the succeeding odd-numbered year.".

(2) Section 237(b) of the Revised Statutes (31 U.S.C. 1020(b)) is amended by inserting "or each two-year fiscal period, as the case may be," after "fiscal year".

(b) Section 504 of the Congressional Budget Act of 1974 (31 U.S.C. 1020a) is amended—

(1) by striking out "thereafter" in the third sentence and inserting in lieu thereof "through the fiscal year 1984"; and

(2) by adding at the end thereof: "Any law providing for an authorization of appropriations for the fiscal year 1984 or any fiscal year thereafter shall be construed as referring to the one-year period—

(A) which is within a two-year fiscal period; and

(B) which begins on January 1 of the calendar year having the same calendar year number as such fiscal year number and ending on December 31 of such calendar year.".

(c) Section 118(b)(2) of the Second Supplemental Appropriations Act, 1976 (31 U.S.C. 1020–1) is amended to read as follows:

"(2) Effective January 1, 1984, any provision of law with respect to the Senate which contains an October 1 date which relates to the beginning of a fiscal year shall be treated as referring to January 1 of the succeeding calendar year within a two-year fiscal period, and any provision of law with respect to the Senate which contains a September 30 date which relates to the end of a fiscal year shall be treated as referring to December 31 of the same calendar year within a two-year fiscal period.".

(d)(1) Section 105 of title 1, United States Code, is amended—

(A) by striking out "year ending September 30" and inserting in lieu thereof "two-year fiscal period ending December 31"; and

(B) by striking out "calendar year" and inserting in lieu thereof "odd-numbered year in which the two-year fiscal period ends".

(2) The provisions of paragraph (1) of this subsection shall be effective with respect to Acts making appropriations for the support of the Government for any two-year fiscal period commencing on or after January 1, 1984.

(e) As soon as practicable, the President shall prepare and submit to the Congress—

(1) after consultation with the Committees on Appropriations of the House of Representatives and the

Senate, budget estimates for the United States Government for the period commencing October 1, 1983, and ending on December 31, 1983, in such form and detail as he may determine; and

(2) proposed legislation he considers appropriate with respect to changes in law necessary to provide authorizations of appropriations for that period.

(f) The Director of the Office of Management and Budget shall provide by regulation, order, or otherwise for the orderly transition by all departments, agencies, and instrumentalities of the United States Government and the government of the District of Columbia from the use of the fiscal year in effect on the date of enactment of this Act to the use of the new two-year fiscal period prescribed by section 237(a)(2) of the Revised Statutes. The Director shall prepare and submit to the Congress such additional proposed legislation as he considers necessary to accomplish this objective.

ACCOUNTING PROCEDURES

SEC. 6. (a) Subsection (a) of section 3 of the Act entitled "An Act to authorize the collection of indebtedness of military and civilian personnel resulting from erroneous payments, and for other purposes", approved July 15, 1954 (31 U.S.C. 581d), is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(b) The first section of Public Law 89–473 (31 U.S.C. 628a) is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(c) Section 40 of the Act of August 10, 1956 (70A Stat. 636, chapter 1041; 31 U.S.C. 649c), is amended by striking out "period of two successive fiscal years" and inserting in lieu thereof "two-year fiscal period".

(d) Section 1 of the Act entitled "An Act making appropriations for the support of the Army for the fiscal year ending June thirtieth, nineteen hundred and sixteen", approved March 4, 1915 (38 Stat. 1079; 31 U.S.C. 654), is amended by striking out "years" and inserting in lieu thereof "two-year fiscal periods".

(e) Section 3679 of the Revised Statutes (31 U.S.C. 665) is amended—

(1) by striking out "deficiency or" in paragraph (1) of subsection (c);

(2) by striking out "fiscal year" each place it appears in subsection (d) and inserting in lieu thereof "two-year fiscal period"; and

(3) by striking out "deficiency or" each place it appears in subsection (e).

(f) Section 210 of the General Government Matters Appropriation Act, 1958 (31 U.S.C. 665a) is amended by striking out "or deficiency".

(g) The Act entitled "An Act to simplify accounting", approved April 27, 1937 (31 U.S.C. 668a), is amended by inserting ", two-year fiscal period," after "year".

(h) Section 6 of the Act of August 23, 1912 (37 Stat. 414, chapter 350; 31 U.S.C. 669), is amended—

(1) by striking out "fiscal year" each place it occurs and inserting in lieu thereof "two-year fiscal period"; and

(2) by striking out "year" each place it occurs and inserting in lieu thereof "period".

(i)(1) Subsection (b)(1) of the first section of the Act entitled "An Act to simplify accounting, facilitate the payment of obligations, and for other purposes", approved July 25, 1956, as amended (31 U.S.C. 701), is amended—

(A) by striking out "and" at the end of subparagraph (A);

(B) by inserting "and ending before October 1, 1983," after "October 1, 1976," in subparagraph (B);

(C) by striking out the period at the end of subparagraph (B) and inserting in lieu thereof a semicolon and "and"; and

(D) by adding at the end thereof the following new subparagraph:

"(C) for the period commencing on October 1, 1983, and ending on December 31, 1983, and for any two-year fiscal period commencing on or after January 1, 1984, on December 31 of the two-year fiscal period following that period or the two-year fiscal period or periods, as the case may be, for which the appropriation is available for obligation.".

(2) Subsection (b)(2) of such Act is amended—

(A) by striking out "and" at the end of subparagraph (A);

(B) by inserting "and ending before October 1, 1983," after "October 1, 1976," in subparagraph (B);

(C) by striking out the period at the end of subparagraph (B) and inserting in lieu thereof a semicolon and "and"; and

(D) by adding at the end thereof the following:

"(C) for the period commencing on October 1, 1983, and ending on December 31, 1983, and for any two-year fiscal period commencing on or after January 1, 1984, not later than November 15 of the year following such period or November 15 of the first even-numbered year following the end of such two-year fiscal period, as the case may be, in which the period of availability for obligation expires.".

(j) Subsection (a) of section 3 of the Act entitled "An Act to simplify accounting, facilitate the payment of obligations, and for other purposes", approved July 25, 1956 (31 U.S.C. 703), is amended—

(1) by striking out "fiscal" each place it appears; and

(2) by striking out "September 30" each place it appears and inserting in lieu thereof "December 31".

(k) Section 5 of the Act entitled "An Act to simplify accounting, facilitate the payment of obligations, and for other purposes", approved July 25, 1956 (31 U.S.C. 705), is amended—

(1) by striking out "second full fiscal year" and inserting in lieu thereof "two-year fiscal period"; and

(2) by striking out "fiscal year or years" and inserting in lieu thereof "two-year fiscal period or periods".

(l) Section 6 of the Act entitled "An Act to simplify accounting, facilitate the payment of obligations, and for other purposes", approved July 25, 1956 (31 U.S.C. 706), is amended by striking out "two full consecutive fiscal years" and inserting in lieu thereof "a full two-year fiscal period".

(m) The first section of the Surplus Fund-Certified Claims Act of 1949 (31 U.S.C. 712a) is amended—

(1) by inserting "(a)" after "That";

(2) by striking out "the annual appropriation bills" and inserting in lieu thereof "an omnibus appropriation bill";

(3) by striking out "fiscal year" and inserting in lieu thereof "two-year fiscal period";

(4) by striking out "year" each place it appears and inserting in lieu thereof "period"; and

(5) by adding at the end thereof the following new subsection:

"(b) For purposes of this section—

"(1) The term 'omnibus appropriation bill' has the meaning given to such term in section 3(7) of the Congressional Budget Act of 1974.

"(2) The term 'two-year fiscal period' has the meaning given to such term in section 3(6) of the Congressional Budget Act of 1974.".

(n) Section 7 of the Act of August 24, 1912 (37 Stat. 487, chapter 355; 31 U.S.C. 718), is amended—

(1) by striking out "regular annual"; and

(2) by striking out "fiscal year" each place it appears and inserting in lieu thereof "two-year fiscal period".

(o) Section 1415 of the Supplemental Appropriation Act, 1953 (31 U.S.C. 724), is amended by striking out "annually" and inserting in lieu thereof "biennially".

TECHNICAL AND CONFORMING AMENDMENTS

SEC. 7. (a) Section 2(a) of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725a(a)), is amended—

(1) by striking out "Effective July 1, 1935, the" and inserting in lieu thereof "The"; and

(2) by striking out "annual" and inserting in lieu thereof "biennial".

(b) Section 4 of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725c), is amended—

(1) by striking out "Effective July 1, 1935, all" and inserting in lieu thereof "All";

(2) by striking out "annually" and inserting in lieu thereof "biennially";

(3) by striking out "one fiscal year" and inserting in lieu thereof "two-year fiscal period"; and

(4) by striking out "following fiscal year" and inserting in lieu thereof "following two-year fiscal period".

(c) Section 9 of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725h), is amended by striking out "fiscal year 1936 annual" and inserting in lieu thereof "two-year fiscal period beginning on January 1, 1984, biennial".

(d) Section 11 of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725j), is amended—

(1) by striking out "fiscal year 1936" and inserting in lieu thereof "two-year fiscal period beginning on January 1, 1984,"; and

(2) by striking out "annually" and inserting in lieu thereof "biennially".

(e) Section 17(a) of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725p(a)), is amended—

(1) by striking out "Effective July 1, 1935, the" and inserting in lieu thereof "The";

(2) by striking out "annually" and inserting in lieu thereof "biennially"; and

(3) by striking out "annual" and inserting in lieu thereof "biennial".

(f) Section 18(a) of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725q(a)), is amended by striking out "annual" and inserting in lieu thereof "biennial".

(g) Section 20(a) of the Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725s(a)), is amended—

(1) by striking out ", effective July 1, 1935,";

(2) by striking out "annually" and inserting in lieu thereof "biennially"; and

(3) by striking out "September 30" and inserting in lieu thereof "December 31".

(h) Section 3 of the Act of August 7, 1946 (60 Stat. 895, chapter 802; 31 U.S.C. 725s–3), is amended—

(1) by striking out "August 7, 1946" and inserting in lieu thereof "December 31, 1983"; and

(2) by striking out "annually" and inserting in lieu thereof "biennially".

(i) Section 257 of the Revised Statutes (31 U.S.C. 1027) is amended by inserting "or the two-year fiscal period, as the case may be," after "fiscal year".

(j) Section 15 of the Act of July 31, 1894 (28 Stat. 210, chapter 174; 31 U.S.C. 1029), is amended by inserting "or the last preceding two-year fiscal period, as the case may be," after "fiscal year".

(k) The first section of the Act of February 26, 1907 (34 Stat. 949, chapter 1635; 31 U.S.C. 1030), is amended—

(1) by striking out "fiscal year current" and inserting in lieu thereof "current two-year fiscal period";

(2) by striking out "fiscal year next ensuing" and inserting in lieu thereof "ensuing two-year fiscal period"; and

(3) by inserting "or preceding completed two-year fiscal period, as the case may be" after "preceding completed fiscal year".

EFFECTIVE DATE

SEC. 8. The provisions of this Act and the amendments made by this Act shall take effect on the first day of the Ninety-eighth Congress, except that the amendments made by sections 3(u), 6, and 7 of this Act shall take effect on January 1, 1984.

FISCAL YEAR 1983

SEC. 9. Notwithstanding the provisions of sections 3, 4, 5, 6, 7, and 8 of this Act and the amendments made by such sections—

(1) the provisions of the Congressional Budget and Impoundment Control Act of 1974 (as such provisions were in effect on the day before the effective date of this Act) shall apply with respect to concurrent resolutions on the budget for such fiscal year, bills and resolutions providing new budget authority or new spending authority for such fiscal year, bills and resolutions authorizing the enactment of new budget authority for such fiscal year, the rescission and deferral of budget authority for such fiscal year, and the responsibilities of the Director of the Congressional Budget Office for such fiscal year; and

(2) the provisions of the Impoundment Control Act of 1974 (as such provisions were in effect on the day before the effective date of this Act) shall apply to the rescission and deferral of budget authority for the period beginning on October 1, 1983, and ending on December 31, 1983.

○

II

97TH CONGRESS
1ST SESSION

S. 1683

To provide for a two-year Federal budget cycle, to provide for the inclusion of additional matters in the Federal budget, to strengthen congressional authorization, budget, and appropriations procedures, to strengthen congressional oversight of Federal programs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 30 (legislative day SEPTEMBER 9), 1981

Mr. FORD (for himself, Mr. BUMPERS, Mr. PELL, and Mr. DANFORTH) introduced the following bill; which was read twice and ordered to be held at the desk until the close of business October 6, 1981

OCTOBER 7, 1981

Referred jointly to the Committees on the Budget, Rules and Administration, and Governmental Affairs, by unanimous consent

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A BILL

To provide for a two-year Federal budget cycle, to provide for the inclusion of additional matters in the Federal budget, to strengthen congressional authorization, budget, and appropriations procedures, to strengthen congressional oversight of Federal programs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Budget and Oversight Improvement Amendments of 1981".

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds and declares that the present annual Federal budgeting process—

(1) allows insufficient time for the fulfillment by the Congress of its legislative and oversight responsibilities;

(2) allows insufficient time for the review and consideration by the Congress of authorizing legislation, budget resolutions, and appropriation bills and resolutions and other spending measures;

(3) allows insufficient time for the evaluation of costly and complicated Federal programs, which contributes to the unrestrained growth of the Federal budget; and

(4) allows insufficient time for agencies and State and local governments to plan for the implementation of programs.

(b) It is the purpose of this Act to establish a more thorough and timely process for the adoption of the Federal budget by—

(1) establishing a two-year cycle for the adoption of the budget;

(2) including Federal loan guarantees and off-budget agencies and activities in budget totals and in the budget process;

(3) requiring the separate and distinct consideration of authorizing legislation, the budget, and appropriation bills and resolutions and other spending measures and thereby allowing full evaluation of the need for and the merits and costs of the various programs and agencies of the Federal Government;

(4) strengthening congressional procedures for the consideration of budget resolutions, reconciliation bills and resolutions, appropriation bills and resolutions, and other measures providing spending authority; and

(5) strengthening the requirement for congressional oversight of Federal programs by authorizing committees.

REVISION OF TIMETABLE

SEC. 3. Section 300 of the Congressional Budget Act of 1974 is amended to read as follows:

"TIMETABLE

"SEC. 300. The timetable with respect to the congressional budget process for any Congress (beginning with the Ninety-eighth Congress) is as follows:

"First Session

"On or before:	Action to be completed:
November 10 (of the preceding session)	President submits current services budget for the 2-fiscal-year budget period beginning in the succeeding even-numbered year.
January 10	President submits his budget for 2-fiscal-year period beginning in succeeding calendar year (the '2-fiscal-year budget period').
April 1	Congressional Budget Office submits report to Budget Committees with respect to 2-fiscal-year budget period.
May 1	Committees and joint committees submit reports to Budget Committees with respect to 2-fiscal-year budget period.
June 1	Committees report bills and resolutions authorizing new budget authority for 2-fiscal-year budget period.
July 1	Budget Committees report first concurrent resolution on the budget for 2-fiscal-year budget period to their Houses.
August 1	Congress completes action on first concurrent resolution on the budget.
October 1	Committees report allocations of first concurrent resolution among programs within their jurisdiction.
October 1	Congress completes action on bills and resolutions authorizing new budget authority for 2-fiscal-year budget period.

"Second Session

"On or before:	Action to be completed:
January 10	President submits revised budget for 2-fiscal-year budget period.
April 1	Committees report bills and resolutions providing new budget authority and new spending authority for 2-fiscal-year budget period.
April 1	Congressional Budget Office submits report to Budget Committees with respect to 2-fiscal-year budget period.
June 15	Budget Committees report second required concurrent resolution on the budget to their Houses.

"On or before:	Action to be completed:
July 1	Congress completes action, except enrollment, on bills and resolutions providing new budget authority and new spending authority for 2-fiscal-year budget period.
August 1	Congress completes action on second required concurrent resolution on budget for 2-fiscal-year budget period.
September 25	Congress completes action on reconciliation bill or resolution, or both, implementing second required concurrent resolution.
October 1	2-fiscal-year budget period begins.".

TWO-YEAR CYCLE FOR CONGRESSIONAL BUDGET PROCESS

SEC. 4. (a) Section 2(2) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "each year" and inserting in lieu thereof "biennially".

(b)(1) Section 3(1) of such Act is amended—

(A) by striking out "fiscal year" and inserting in lieu thereof "2-fiscal-year budget period"; and

(B) by striking out "such year" and inserting in lieu thereof "such period".

(2) Section 3(4) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period".

(3) Section 3 of such Act is further amended by adding at the end thereof the following new paragraph:

"(6) The term '2-fiscal-year budget period' means the period of 2 fiscal years beginning on October 1 of any even-numbered year.".

(c) Section 202(f)(1) of the Congressional Budget Act of 1974 is amended—

(1) by striking out "each year" and inserting in lieu thereof "each fiscal year in a 2-fiscal-year budget period";

(2) by striking out "fiscal year commencing on October 1 of that year" and inserting in lieu thereof "succeeding 2-fiscal-year budget period"; and

(3) by striking out "such fiscal year" each place it appears and inserting in lieu thereof "such 2-fiscal-year budget period".

(d)(1) Section 301(a) of such Act is amended—

(A) by striking out "MAY 15" in the subsection heading and inserting in lieu thereof "AUGUST 1 OF EACH ODD-NUMBERED YEAR";

(B) by striking out "May 15 of each year" in the first sentence and inserting in lieu thereof "August 1 of each odd-numbered year"; and

(C) by striking out "the fiscal year beginning on October 1 of such year" and inserting in lieu thereof "the 2-fiscal-year budget period beginning on October 1 of the succeeding year".

(2) Section 301(c) of such Act is amended—

(A) by striking out "March 15 of each year" in the matter preceding paragraph (1) and inserting in lieu thereof "May 1 of each odd-numbered year"; and

(B) by striking out "the fiscal year beginning on October 1 of such year" in paragraph (2) and inserting in lieu thereof "the 2-fiscal-year budget period beginning on October 1 of the succeeding year".

(3) Section 301(d) of such Act is amended—

(A) by striking out "fiscal year" in the first sentence and inserting in lieu thereof "2-fiscal-year budget period";

(B) by striking out "April 15 of each year" in the third sentence and inserting in lieu thereof "July 1 of each odd-numbered year";

(C) by striking out "the fiscal year beginning on October 1 of such year" in the third sentence and inserting in lieu thereof "the 2-fiscal-year budget period beginning on October 1 of the succeeding year";

(D) by striking out "five" in paragraph (6) and inserting in lieu thereof "six";

(E) by striking out "such fiscal year" in paragraph (6) and inserting in lieu thereof "the first fiscal year of such 2-fiscal-year budget period,"; and

(F) by striking out "such period" in paragraph (6) and inserting in lieu thereof "such six fiscal year period".

(4) Section 301(e) of such Act is amended—

(A) by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period"; and

(B) by striking out "set for" in paragraph (1) and inserting in lieu thereof "set forth".

(e)(1) Section 303(a) of such Act is amended—

(A) by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period"; and

(B) by striking out "such year" and inserting in lieu thereof "such period".

(2) Section 303(b) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period".

(f) Section 304 of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period".

(g)(1) Section 307 of such Act is amended—

(A) by striking out the section heading and inserting in lieu thereof "COMMITTEE ACTION ON APPROPRIATION AND OTHER SPENDING BILLS";

(B) by inserting "(a) COMMITTEE ACTION ON REGULAR APPROPRIATIONS BILLS.—" before "Prior";

(C) by striking out "fiscal year" and inserting in lieu thereof "2-fiscal-year budget period";

(D) by striking out "that year" each place it appears and inserting in lieu thereof "that period"; and

(E) by adding at the end thereof the following new subsection:

"(b)(1) REPORTING OF CERTAIN MEASURES BY APRIL 1 OF EACH EVEN-NUMBERED YEAR.—Except as provided in paragraph (2), all bills and resolutions providing budget authority or spending authority (as defined by section 401(c)(2)(C)) for any 2-fiscal-year budget period shall be reported to the House of Representatives and Senate no later than April 1 of the year in which such period begins.

"(2) If a committee of the House of Representatives or the Senate determines that changes in circumstances with the passage of time require a waiver of paragraph (1) with respect to any bill or resolution providing supplemental appropriations for any period, such committee may report, and the House or Senate may consider and adopt, a resolution waiving the application of such paragraph in the case of such bill or resolution.".

(2) The item relating to section 307 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended to read as follows:

"Sec. 307. Committee action on appropriation and other spending bills.".

(h)(1) Section 308 (a) of the Congressional Budget Act of 1974 is amended—

(A) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "2-fiscal-year budget period";

(B) by striking out "fiscal year" in paragraph (1)(A) and inserting in lieu thereof "2-fiscal-year budget period";

(C) by striking out "5" in paragraph (1)(B) and inserting in lieu thereof "6";

(D) by striking out "such fiscal year" in paragraph (1)(B) and inserting in lieu thereof "the first fiscal year of such 2-fiscal-year budget period";

(E) by striking out "such period" in paragraph (1)(B) and inserting in lieu thereof "such 6 fiscal year period";

(F) by striking out "fiscal year" in paragraph (2)(A) and inserting in lieu thereof "2-fiscal-year budget period";

(G) by striking out "such year" in paragraph (2)(A) and inserting in lieu thereof "such period";

(H) by striking out "5" in paragraph (2)(B) and inserting in lieu thereof "6";

(I) by striking out "such fiscal year" in paragraph (2)(B) and inserting in lieu thereof "the first fiscal year of such 2-fiscal-year budget period";

(J) by striking out "such period" in paragraph (2)(B) and inserting in lieu thereof "such 6 fiscal year period"; and

(K) by striking out "fiscal year" each place it appears in the last sentence of such subsection and inserting in lieu thereof "2-fiscal-year budget period".

(2) Section 308(b) of such Act is amended—

(A) by striking out "fiscal year" in the first sentence and inserting in lieu thereof "2-fiscal-year budget period";

(B) by striking out "fiscal year" each place it appears in paragraph (1) and inserting in lieu thereof "2-fiscal-year budget period";

(C) by striking out "fiscal year" in paragraph (2) and inserting in lieu thereof "2-fiscal-year budget period";

(D) by striking out "fiscal year" in paragraph (3) and inserting in lieu thereof "2-fiscal-year budget period";

(E) by striking out "such year" each place it appears in paragraph (3) and inserting in lieu thereof "such period"; and

(F) by striking out "fiscal year" each place it appears in paragraph (4) and inserting in lieu thereof "2-fiscal-year budget period".

(3) Section 308(c) of such Act is amended—

(A) by striking out "FIVE" in the subsection heading and inserting in lieu thereof "SIX";

(B) by striking out "each fiscal year" each place it appears and inserting in lieu thereof "each 2-fiscal-year budget period";

(C) by striking out "5 fiscal year beginning with such fiscal year" and inserting in lieu thereof "6-fiscal-years beginning with such 2-fiscal-year budget period"; and

(D) by striking out "such period" each place it appears and inserting in lieu thereof "such 6 fiscal year period".

(i) Section 309 of such Act is amended—

(1) by striking out "the seventh day after Labor Day of each year" in the matter preceding paragraph

(1) and inserting in lieu thereof "July 1 of each even-numbered year"; and

(2) by striking out "fiscal year" each place it appears in paragraphs (1) and (2) and inserting in lieu thereof "2-fiscal-year budget period".

(j)(1) Section 310(a) of such Act is amended—

(A) by inserting "in each even-numbered year" after "report to its House" in the first sentence;

(B) by striking out "fiscal year" in the first sentence and inserting in lieu thereof "2-fiscal-year budget period";

(C) by striking out "fiscal year" each place it appears in subparagraphs (A) and (C) of paragraph (1) and inserting in lieu thereof "2-fiscal-year budget period"; and

(D) by inserting "or prior 2-fiscal-year budget periods" after "prior fiscal years" in subparagraph (B) of paragraph (1);

(2) Subsections (b) and (d) of section 310 of such Act are amended by striking out "each year" each place it appears and inserting in lieu thereof "each even-numbered year".

(3) Section 310(f) of such Act is amended—

(A) by striking out "It" and inserting in lieu thereof "In any even-numbered year, it"; and

(B) by striking out "fiscal year" and inserting in lieu thereof "2-fiscal-year budget period".

(k) Section 311 of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period".

(l)(1) Section 401(a) of such Act is amended by striking out "fiscal year" and inserting in lieu thereof "2-fiscal-year budget period".

(2)(A) Section 401(b)(1) of such Act is amended by striking out "the fiscal year which begins during the calendar year in" and inserting in lieu thereof "the first 2-fiscal-year budget period which begins after the date on".

(B) Section 401(b)(2) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period".

(m)(1) Section 402 of such Act is amended—

(A) by striking out "REPORTING OF" in the section heading and inserting in lieu thereof "ACTION ON";

(B) by striking out the subsection heading for subsection (a) and inserting in lieu thereof "DATES FOR REPORTING AND FINAL ACTION.—(1)";

(C) by striking out "fiscal year" each place it appears in subsection (a) and inserting in lieu thereof "2-fiscal-year budget period";

(D) by striking out "May 15" in subsection (a) and inserting in lieu thereof "June 1 of the odd-numbered year"; and

(E) by adding at the end of subsection (a) the following new paragraph:

"(2) The Congress shall complete action on all bills and resolutions directly or indirectly authorizing the enactment of new budget authority for a 2-fiscal-year budget period no later than October 1 of the year preceding the year in which such period begins.".

(2) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "Reporting of" in the item relating to section 402 and inserting in lieu thereof "Action on".

(n) Section 605(a) of the Congressional Budget Act of 1974 is amended—

(1) by striking out "each year (beginning with 1975)" and inserting in lieu thereof "each even-numbered year (beginning with 1982)";

(2) by striking out "the ensuing fiscal year" and inserting in lieu thereof "the 2-fiscal-year budget period beginning in the following calendar year"; and

(3) by striking out "such ensuing fiscal year" and inserting in lieu thereof "such period".

(o) Section 607 of such Act is amended—

(1) by striking out "for a fiscal year (beginning with the fiscal year commencing October 1, 1976)" and inserting in lieu thereof "for a fiscal year or a 2-fiscal-year budget period (beginning on or after October 1, 1983)"; and

(2) by striking out "May 15 of the year preceding the year in which such fiscal year begins" and inserting in lieu thereof "May 15 of the year preceding the year in which the bills and resolutions setting forth such authorizations are to be reported under section 402".

ADDITIONAL AMENDMENTS TO CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

SEC. 5. (a) Section 2 of the Congressional Budget and Impoundment Control Act of 1974 (as amended by section 4(a) of this Act) is further amended—

(1) by striking out "and" after the semicolon at the end of paragraph (4);

(2) by redesignating paragraph (5) as paragraph (6); and

(3) by inserting after paragraph (4) the following new paragraph:

"(5) to provide for the congressional determination biennially of the appropriate level of gross obligations for the principal amount of direct loans and the appropriate level of commitments to guarantee loan principal; and".

(b)(1) Section 3(2) of such Act is amended by striking out "except that such term" and inserting in lieu thereof "and includes the authority to make direct loans but".

(2) Section 3 of such Act (as amended by paragraph (1) of this subsection and section 4(b)(3) of this Act) is further amended by adding at the end thereof the following new paragraph:

"(7) The term 'direct loan' means a disbursement of funds by the United States or any officer or agency thereof (not in exchange for goods or services) under a contract which requires the repayment of such funds with or without interest, and in addition includes—

"(A) direct participation in a loan made and held by another person or government;

"(B) the purchase (through secondary market operations) of a loan made by another person or government; and

"(C) the acquisition of a federally guaranteed loan made by another person or government, as collateral or in satisfaction of default or other guarantee claims.".

(c)(1) Section 202(a) of the Congressional Budget Act of 1974 is amended by striking out "and (3)" and inserting in lieu thereof "(3) information with respect to direct loans and guarantees of loan principal, and (4)".

(2) Section 202(f)(1) of such Act (as amended by section 4(c) of this Act) is further amended by striking out "and (B)" and inserting in lieu thereof "(B) the levels of direct loans and guarantees of loan principal, and (C)".

(d) Section 301(a) of such Act (as amended by section 4(d)(1) of this Act) is further amended—

(1) by striking out paragraph (7);

(2) by redesignating paragraph (6) as paragraph (8), and (in such paragraph) striking out the semicolon and "and" and inserting in lieu thereof a period; and

(3) by inserting after paragraph (5) the following new paragraphs:

"(6) the appropriate level of total gross obligations for the principal amount of direct loans and the appropriate level of total commitments to guarantee loan principal;

"(7) an estimate of gross obligations for the principal amount of direct loans and an estimate of commitments to guarantee loan principal for each major functional category, based on allocations of the appropriate level of total gross obligations for the principal amount of direct loans and the appropriate level of total commitments to guarantee loan principal; and".

(e) Section 301(b) of such Act is amended to read as follows:

"(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION PROHIBITED.—It shall not be in order in the Senate or the House of Representatives to consider any first concurrent resolution on the budget required by this section if such concurrent resolution on the budget includes any matter other than the matters described in paragraphs (1) through (8) of subsection (a).".

(f)(1) Section 301(c)(2) of such Act (as amended by section 4(d)(2) of this Act) is further amended—

(A) by striking out "the estimate" and inserting in lieu thereof "an estimate"; and

(B) by striking out ", and budget outlays resulting therefrom," and inserting in lieu thereof "and budget outlays resulting therefrom, the total amounts of gross obligations for the principal amount of direct loans, and the total amounts of commitments to guarantee loan principal,".

(2) Section 301(c) of such Act is further amended by inserting after "1946." the following new sentence: "The Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate shall each also submit to the Committee on the Budget of its House its rec-

ommendations as to the appropriate level of total gross obligations for the principal amount of direct loans and the appropriate level of total commitments to guarantee loan principal.".

(g)(1) Section 302(a) of such Act is amended—

(A) by striking out "and" after "total budget outlays" and inserting in lieu thereof a comma;

(B) by inserting a comma and "total gross obligations for the principal amount of direct loans, and total commitments to guarantee loan principal" after "total new budget authority"; and

(C) by inserting "or authorizing such obligations and commitments" after "such new budget authority".

(2) Section 302(b) of such Act is amended—

(A) by striking out "and" after the semicolon at the end of paragraph (1);

(B) by redesignating paragraph (2) as paragraph (3); and

(C) by inserting after paragraph (1) the following new paragraph:

"(2) the Committee on Appropriations of each House shall also, after consulting with the Committee on Appropriations of the other House, subdivide among its subcommittees the allocation of gross obligations for the principal amount of direct loans and the allocation of commitments to guarantee loan principal allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution; and".

(h) Section 304 of such Act (as amended by section 4(f) of this Act) is further amended by adding at the end thereof the following: "It shall not be in order in the Senate or the House of Representatives to consider any concurrent resolution on the budget revising a concurrent resolution on the budget for any fiscal year which is adopted before the adoption of the second concurrent resolution on the budget required for such fiscal year under section 310 if the concurrent resolution making such revisions includes any matter other than the matters described in paragraphs (1) through (6) of section 301(a). It shall not be in order in the Senate or the House of Representatives to consider any concurrent resolution on the budget revising the second concurrent resolution on the budget required for a fiscal year under section 310 or any concurrent resolution on the budget for such fiscal year adopted after such second concurrent resolution if the concurrent resolution making such revisions includes any matter other than the matters described in paragraphs (1) through (6) of section 301(a) and paragraphs (1) through (4) of section 310(a).".

(i) Section 307(a) of such Act (as amended by section 4(g)(1) of this Act) is further amended—

(A) by striking out "and" after "budget outlays" and inserting in lieu thereof a comma; and

(B) by inserting ", gross obligations for the principal amount of direct loans, and commitments to guarantee loan principal," after "new budget authority".

(j)(1) Section 308(a) of such Act (as amended by section 4(h)(1) of this Act) is further amended—

(A) by striking out "and" after the semicolon in subparagraph (B) of paragraph (1);

(B) by inserting after subparagraph (C) of paragraph (1) the following new subparagraph:

"(D) how the level of gross obligations for the principal amount of direct loans and the level of commitments to guarantee loan principal provided in that bill or resolution compare with the appropriate level of gross obligations for the principal amount of direct loans and the appropriate level of commitments to guarantee loan principal set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302; and";

(C) by striking out the period at the end of subparagraph (B) of paragraph (2) and inserting in lieu thereof a semicolon and "and";

(D) by inserting after paragraph (2) the following new paragraph:

"(3) in the case of a bill or resolution providing new or increased commitments to guarantee loan principal—

"(A) how the new or increased commitments to guarantee loan principal provided in the bill or resolution will affect the levels of loan guarantees under existing law as set forth in the report accompanying the first concurrent resolution on the budget for such 2-fiscal-year budget period, or, if a report accompanying a subsequently agreed to concurrent resolution for such period sets forth such levels, then as set forth in that report; and

"(B) a projection for the period of 6 fiscal years beginning with the first fiscal year in such 2-fiscal-year budget period, of the outlays which will result from that bill or resolution in each fiscal year in such 6-year period."; and

(E) by striking "or (2)(B)" in the last sentence and inserting in lieu thereof a comma and "(2)(B), or (2)(C)".

(2) Section 308(b) of such Act (as amended by section 4(h)(2) of this Act) is further amended—

(A) by inserting "and commitments to guarantee loan principal" after "new budget authority" in the first sentence and in paragraph (2);

(B) by striking out "and" after the semicolon at the end of paragraph (3);

(C) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a semicolon and "and"; and

(D) by adding at the end thereof the following new paragraph:

"(5) an up-to-date tabulation comparing the gross obligations for the principal amount of direct loans and the commitments to guarantee loan principal for such fiscal year in bills or resolutions on which the Congress has completed action to the gross obligations for the principal amount of direct loans and the commitments to guarantee loan principal set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302.".

(3) Section 308(c)(1) of such Act (as amended by section 4(h)(3) of this Act) is further amended—

(A) by striking out "and" after "budget authority" and inserting in lieu thereof a comma; and

(B) by inserting a comma and "total gross obligations for the principal amount of direct loans, and total commitments to guarantee loan principal" after "budget outlays".

(k)(1) Section 309 of such Act (as amended by section 4(i) of this Act) is further amended—

(A) by inserting "(a) COMPLETION OF ACTION REQUIRED.—" before "Except";

(B) by inserting "or specifying the level of gross obligations for the principal amount of direct loans or the level of commitments to guarantee loan principal for such fiscal year," after "such year," where it first appears in paragraph (1); and

(C) by adding at the end thereof the following new subsection:

"(b) LIMITATION ON ENROLLMENT.—Bills and resolutions providing new budget authority for any 2-fiscal-year budget period or new spending authority described in section 401(c)(2)(C) for any 2-fiscal-year budget period shall not be enrolled until the concurrent resolution required to be reported under section 310(a) for such 2-fiscal-year budget period has been agreed to, and if a reconciliation bill or reconciliation resolution, or both are required to be reported under section 310(c) for such 2-fiscal-year budget period, until Congress has completed action on that bill or resolution, or both.".

(2) The section heading for section 309 of such Act is amended by striking out "AND CERTAIN NEW SPENDING AUTHORITY" and inserting in lieu thereof a comma and "SPECIFYING DIRECT LOANS OR COMMITMENTS TO GUARANTEE LOAN PRINCIPAL, OR PROVIDING NEW SPENDING AUTHORITY; LIMITATION ON ENROLLMENT OF CERTAIN BILLS AND RESOLUTIONS".

(3) The item relating to section 309 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "and certain new spending authority" and inserting in lieu thereof a comma and "specifying direct loans or commitments to guarantee loan principal, or providing new spending authority; limitation on enrollment of certain bills and resolutions".

(l) Section 310(a) of the Congressional Budget Act of 1974 (as amended by section 4(j)(1) of this Act) is further amended—

(1) by striking out "or" after the semicolon at the end of paragraph (3);

(2) by redesignating paragraph (4) as paragraph (5) and (in such paragraph) striking out "and (3)" and inserting in lieu thereof "(3), and (4)";

(3) by inserting after paragraph (3) the following new paragraph:

"(4) specify the total amount by which gross obligations for the principal amount of direct loans and the total amount by which commitments to guarantee loan principal are to be changed and direct the committees having jurisdiction to recommend such changes; or"; and

(4) by inserting before the third sentence the following: "It shall not be in order in the Senate or the House of Representatives to consider any such concurrent resolution which contains any matter other than the matters described in the first two sentences of this subsection or which directs any committee to determine and recommend changes in laws, bills, and resolutions authorizing the enactment of new budget authority for any 2-fiscal-year budget period.".

(m) Section 310(e)(2) of such Act is amended by striking out "20" and inserting in lieu thereof "100".

(n)(1) Section 311(a) of such Act (as amended by section 4(k) of this Act) of 1974 is further amended—

(A) by inserting "specifying the level of gross obligations for the principal amount of direct loans or the level of commitments to guarantee loan principal for such 2-fiscal-year budget period," after "effective during such 2-fiscal-year budget period," in the matter preceding paragraph (1); and

(B) by inserting "would cause the appropriate level of gross obligations for the principal amount of direct loans or the appropriate level of commitments to guarantee loan principal set forth in such concurrent resolution to be exceeded," after "exceeded," in the matter following paragraph (3).

(2) The section heading of section 311 of such Act is amended by inserting a comma and "LOANS AND LOAN GUARANTEE COMMITMENTS," after "SPENDING AUTHORITY".

(3) The item relating to section 311 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting "loans and loan guarantee commitments," after "spending authority".

(o) Section 402(a) of the Congressional Budget Act of 1974 (as amended by section 4(m)(1) of this Act) is further amended by inserting "or which authorizes the guarantee of the repayment of indebtedness incurred by another person or government for a 2-fiscal-year budget period," after "for a 2-fiscal-year budget period,".

(p)(1) Title IV of such Act is amended by adding at the end thereof the following new sections:

"LEGISLATION PROVIDING AUTHORITY TO MAKE DIRECT LOANS OR TO GUARANTEE THE REPAYMENT OF INDEBTEDNESS

"SEC. 405. It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides, extends, or enlarges authority to incur obligations for the principal direct amount of loans or guarantee the repayment of indebtedness incurred by another person or government (or any amendment which provides, extends, or enlarges such authority) unless that bill, resolution, or amendment also provides that such authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

"REPORTS

"SEC. 406. (a)(1) The reports required by sections 301(c), 302(b), 308(b), and 308(c) shall contain the tables described in subsection (b).

"(2) Any—

"(A) concurrent resolution on the budget reported by the Committee on the Budget of the Senate or the

House of Representatives under section 301, 304, or 310 of this Act; and

"(B) bill or resolution reported by a committee of the Senate or the House of Representatives which provides, modifies, or terminates budget authority or spending authority described in section 401(c)(2)(C), or which contains or modifies estimates of budget outlays,

shall be accompanied by a report containing the tables described in subsection (b). The conference report on any bill or resolution described in clause (A) or (B) of the preceding sentence shall be accompanied by a joint statement of the managers containing such tables.

"(b)(1) The tables required by subsection (a) shall set forth estimates of budget authority, spending authority described in section 401(c)(2)(C), and budget outlays for each of the accounts (to which the report, bill, or resolution referred to in such subsection pertains) which are set forth in the Budget Accounts Listing contained in the Budget of the United States Government submitted by the President pursuant to section 201(a) of the Budget and Accounting Act, 1921, during the Congress in which the report referred to in subsection (a)(1) is made or the bill or resolution described in subsection (a)(2) is reported. If any such report, bill, or resolution contains provisions involving budget authority, spending authority, or outlays for which accounts have not been included in such Budget Accounts Listing, the estimates therefor in the table required by this subsection shall be set forth in account records with account identification codes assigned by the Director of the Congressional Budget Office.

"(2) The tables described in paragraph (1) which are required to be included in the reports required by sections 301(c), 302(b), 308(b), and 308(c), and in the reports accompanying any concurrent resolution on the budget reported under sections 301, 304, and 310 shall also set forth estimates for the budget authority and spending authority described in section 401(c)(2)(C) which will become available without further congressional action and estimates of the outlays that will result from such budget authority and spending authority. With respect to the reports required by sections 301(c) and 302(b), the estimates described in the preceding sentence are only required for the accounts or portions of accounts relating to the subject matter within the legislative jurisdiction of the committee submitting the report.".

(2) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 404 the following new items:

"Sec. 405. Legislation providing authority to make direct loans or to guarantee the repayment of indebtedness.
"Sec. 406. Reports.".

(q)(1) Section 606 of the Congressional Budget Act of 1974 is repealed. Section 607 of such Act (as amended by section 4(o) of this Act) is redesignated as section 606.

(2) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out the item relating to section 606 and redesignating the item relating to section 607 as the item relating to section 606.

(r)(1) Section 802 of the Congressional Budget Act of 1974 is amended to read as follows:

"BUDGET ACCOUNTS

"SEC. 802. The Budget of the United States Government submitted pursuant to section 201 of the Budget and Accounting Act, 1921, for the 2-fiscal-year budget period beginning on October 1, 1984, and the estimates of outlays and proposed budget authority required to be submitted under section 605 of this Act for such 2-fiscal-year budget period, shall be set forth in the same accounts which are set forth in the Budget Accounts Listing contained in the Budget of the United States Government submitted for fiscal year 1982 under section 201(a) of the Budget and Accounting Act, 1921. Any change in the accounts used in the Budget of the United States Government submitted under section 201(a) of the Budget and Accounting Act, 1921, for the 2-fiscal-year budget period beginning on October 1, 1984, or any succeeding 2-fiscal-year budget period or in the estimates of outlays and proposed budget authority required under section 605 of this Act for any such 2-fiscal-year budget period, from the accounts set forth in the Budget Accounts Listing contained in the Budget submitted under section 201(a) of the Budget and Accounting Act, 1921, for fiscal year 1982 or the preceding 2-fiscal-year budget period, as the case may be, shall be made only in consultation with the Committees on Appropriations, the Committees on the Budget, and the committees having legislative jurisdiction over the programs or activities which will be affected by such changes. The provisions of this section shall not prohibit the inclusion of new accounts in the Budget Accounts Listing contained in the Budget submitted pursuant to section 201(a) of the Budget and Accounting Act, 1921, solely for purposes of presenting estimates for new programs.".

(2) The item relating to section 802 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended to read as follows:

"Sec. 802. Budget Accounts.".

AMENDMENTS TO BUDGET AND ACCOUNTING ACT, 1921

SEC. 6. (a)(1) So much of section 201(a) of the Budget and Accounting Act, 1921 (31 U.S.C. 11(a)), as precedes paragraph (1) thereof is amended to read as follows:

"(a) The President shall transmit to the Congress, by January 10 of the first session of each Congress beginning with the Ninety-eighth Congress, the Budget for the 2-fiscal-year budget period (as defined in section 3(6) of the Congressional Budget and Impoundment Control Act of 1974) beginning on October 1 of the succeeding calendar year. The Budget transmitted under this subsection shall include a proposed Budget for each of the 2 fiscal years in such period, the President's Budget Message, summary data and text, and supporting detail. The Budget shall set forth in such form and detail as the President may determine (with respect to each fiscal year in such 2-fiscal-year budget period)—".

(2) Section 201(a)(5) of such Act is amended by striking out "the ensuing fiscal year and projections for the four fiscal years immediately following the ensuing fiscal year" and inserting in lieu thereof "each such fiscal year and projections for the four fiscal years immediately following the second fiscal year in such 2-fiscal-year budget period".

(3) Section 201(a)(6) of such Act is amended by striking out "the ensuing fiscal year and projections for the four fiscal years immediately following the ensuing fiscal year" and inserting in lieu thereof "each such fiscal year and projections for the four fiscal years immediately following the second fiscal year in such 2-fiscal-year budget period".

(4) Section 201(a)(9) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period".

(5) Section 201(a)(12) of such Act is amended—

(A) by striking out "fiscal year" in subparagraph (A) and inserting in lieu thereof "2-fiscal-year budget period";

(B) by striking out "each of the four fiscal years, immediately following that ensuing fiscal year" in subparagraph (B) and inserting in lieu thereof "each of the four fiscal years immediately following the second fiscal year in such 2-fiscal-year budget period"; and

(C) by striking out "and" after the semicolon in subparagraph (B).

(6) Section 201(a)(13) of such Act is amended—

(A) by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period"; and

(B) by striking out the period at the end thereof and inserting in lieu thereof a semicolon and "and".

(7) Section 201(a) of such Act is further amended by adding at the end thereof the following:

"(14) all essential facts regarding direct lending by the Government, and guarantees by the Government of the repayment of indebtedness incurred by another person or government.

By January 10 of the second session of each such Congress the President shall transmit to the Congress any revisions he may desire to make in the budget transmitted in the first session of that Congress.".

(b) Section 201(b) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period".

(c) Section 201(c) of such Act is amended—

(1) by striking out "the first four fiscal years" in paragraph (1) and inserting in lieu thereof "each fiscal year in the first four 2-fiscal-year budget periods";

(2) by striking out "ensuing fiscal year" in such paragraph and inserting in lieu thereof "ensuing 2-fiscal-year budget period";

(3) by striking out "fiscal years" in paragraph (2) and inserting in lieu thereof "2-fiscal-year budget periods"; and

(4) by striking out "ensuing fiscal year" each place it appears in such paragraph and inserting in lieu thereof "ensuing 2-fiscal-year budget period".

(d) Section 201(d) of such Act is amended—

(1) by striking out "fiscal year" and inserting in lieu thereof "2-fiscal-year budget period";

(2) by inserting a comma and "for each fiscal year in such 2-fiscal-year budget period," after "separately"; and

(3) by striking out "items enumerated in section 301(a) (1)–(5)" and inserting in lieu thereof "items enumerated in section 301(a) (1)–(8)".

(e) Section 201(e) of such Act is amended—

(1) by striking out "each fiscal year" and inserting in lieu thereof "each 2-fiscal-year budget period"; and

(2) by striking out "such fiscal year" and inserting in lieu thereof "each fiscal year in such 2-fiscal-year budget period".

(f) Section 201(f) of such Act is amended—

(1) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "2-fiscal-year budget period";

(2) by striking out "completed fiscal year" in paragraph (1) and inserting in lieu thereof "completed 2-fiscal-year budget period";

(3) by striking out "such fiscal year" in such paragraph and inserting in lieu thereof "each fiscal year of such 2-fiscal-year budget period"; and

(4) by striking out "fiscal year" in paragraph (2) and inserting in lieu thereof "2-fiscal-year budget period";

(5) by striking out "such year" each place it appears in such paragraph and inserting in lieu thereof "each fiscal year of such 2-fiscal-year budget period"; and

(6) by striking out "year" each place it appears in paragraph (3) and inserting in lieu thereof "years".

(g) Section 201(g) of such Act is amended—

(1) by striking out "the ensuing fiscal year" in the first sentence and inserting in lieu thereof "each fiscal year of the ensuing 2-fiscal-year budget period"; and

(2) by striking out "fiscal year" each place it appears in the last sentence and inserting in lieu thereof "2-fiscal-year budget period".

(h) Section 201(h) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period".

(i) Section 201(i) of such Act is amended—

(1) by striking out "each fiscal year" and inserting in lieu thereof "each 2-fiscal-year budget period"; and

(2) by striking out "fiscal year ending September 30, 1979" and inserting in lieu thereof "2-fiscal-year budget period beginning October 1, 1984".

(j) Section 201 of such Act is further amended by adding at the end thereof the following new subsection:

"(k) Notwithstanding any other provision of law, the President shall include in the Budget submitted under subsection (a) proposed budget authority, direct loans, and commitments to guarantee loan principal, and estimates of outlays and receipts for all activities of all departments, establishments, and instrumentalities of the Federal Government, except Government-sponsored corporations to the extent financed by wholly private funds.".

(k) Section 206 of such Act is amended by inserting immediately before the period a comma and "or at the request of a committee of either House of Congress. Such estimates, requests, and recommendations submitted pursuant to a request of either House of Congress or a committee of either House of Congress shall not be submitted until after the day on which the President transmits the Budget to the Congress under section 201 of this Act for the 2-fiscal-year budget period".

AMENDMENTS TO THE LEGISLATIVE REORGANIZATION ACT OF 1946

Sec. 7. Section 136 of the Legislative Reorganization Act of 1946 is amended to read as follows:

"Sec. 136. (a) In order to assist the Senate and the House of Representatives in—

"(1) their analysis, appraisal, and evaluation of the application, administration, and execution of the laws enacted by the Congress, and

"(2) their formulation, consideration, and enactment of such modifications of or changes in those laws, and of such additional legislation, as may be necessary or appropriate,

each standing committee of the Senate and the House of Representatives (except the Committees on Appropriations, the Committees on the Budget, the House Committee on House Administration, the House Committee on Rules, and the House Committee on Standards of Official Conduct) shall review and study, on a continuing basis, the application, administration, and execution of those laws, or parts of laws, the subject matter of which is within the jurisdiction of that committee.

"(b) During the period beginning on the 15th day after the Congress meets in each odd-numbered year and ending October 1 of the following even-numbered year, each standing committee of the House of Representatives and the Senate, to which subsection (a) applies, shall review and study—

"(1) the application, administration, execution, and effectiveness of those laws (or parts of laws) the subject matter of which is within the jurisdiction of that committee, and

"(2) the organization and operation of the Federal agencies and entities having responsibilities in or for the administration and execution thereof,

in order to determine whether such laws and the programs thereunder are being implemented and carried out in accordance with the intent of the Congress and whether such programs should be continued, modified, or eliminated. In addition, each such committee (during such period) shall review and study any conditions or circumstances which may indicate the necessity or desirability of enacting new or additional legislation within the jurisdiction of that committee (whether or not any bill or resolution has been introduced with respect thereto). The findings and determinations made by each such committee as a result of its oversight activities under this section in any year shall be reported to the House of Representatives or the Senate no later than October 1 of such even-numbered year, and shall constitute the basis for such committee's legislative work during the succeeding Congress.

"(c) To assist a standing committee in carrying out its responsibilities under this section, the head of each Federal agency which administers the laws or parts of laws under the jurisdiction of such committee shall provide to each legislative committee of the Senate and the House of Representatives having legislative jurisdiction over such program, such studies, information, analyses, reports, and assistance as the committee may request.

"(d)(1) Upon request made by the chairman of a committee of the Senate or House of Representatives or a joint committee of Congress, the head of any agency shall furnish, without charge, to such committee or joint committee, computer tapes or discs, together with explanatory documentation, containing information—

"(A) received, compiled, or maintained by the agency as part of the operation or administration of a program; or

"(B) specifically compiled pursuant to such a request in support of a review of a program.

"(2) The Committee on House Administration of the House of Representatives and the Committee on Rules and Administration of the Senate shall prescribe rules and regulations for their respective Houses which will minimize duplication of requests under paragraph (1) of this subsection.".

EFFECTIVE DATE

SEC. 8. The provisions of this Act and the amendments made by this Act shall take effect the first day of the Ninety-eighth Congress, except that—

(1) the amendments made by section 4(n) of this Act shall take effect on November 9, 1982; and

(2) the provisions of section 8 of this Act shall take effect on the date of enactment of this Act.

FISCAL YEAR 1984

SEC. 9. (a) Notwithstanding the amendments made by sections 3, 4, 5, and 6 of this Act, the President shall submit to the Congress a budget for fiscal year 1984, and the estimates of outlays and proposed budget authority that would have been required under section 605 of the Congressional Budget Act of 1974 (as such section was in effect on November 8, 1982). The provisions of section 201(a) of the Budget and Accounting Act, 1921, (as such provisions were in effect on the day before the effective date of this Act) shall apply to the submission by the President of the budget for fiscal year 1984. The provisions of section 605 of the Congressional Budget Act of 1974 (as such provisions were in effect on November 8, 1982) shall apply with respect to the submission of such estimates by the President.

(b) Notwithstanding the amendments made by sections 3, 4, 5, and 6 of this Act, the Congress shall complete action on the concurrent resolutions on the budget that would have been required for fiscal year 1984 under the provisions of the Congressional Budget Act of 1974 as such provisions were in effect on the day before the effective date of this Act. The provisions of the Congressional Budget and Impoundment Control Act of 1974 (as such provisions were in effect on the day before the date of enactment of this Act) shall apply with respect to concurrent resolutions on the budget for fiscal year 1984, bills and resolutions providing new budget authority or new spending authority for fiscal year 1984, and bills and resolutions authorizing the enactment of new budget authority for fiscal year 1984, except that—

(1) the provisions of section 301(b) of such Act (as such provisions were in effect on the day before the effective date of this Act) shall not apply with respect to fiscal year 1984;

(2) it shall not be in order in the Senate or the House of Representatives to consider any first concurrent resolution on the budget for fiscal year 1984 required by section 301 of such Act (as such section was in effect on the day before the date of enactment of this Act) if such concurrent resolution includes any

matter other than the matters described in paragraphs (1) through (6) of subsection (a) of such section;

(3) it shall not be in order in the Senate or the House of Representatives to consider any concurrent resolution on the budget under section 304 of such Act (as such section was in effect on the day before the date of enactment of this Act) revising a concurrent resolution on the budget for fiscal year 1984 which is adopted before the adoption of the second concurrent resolution on the budget required for such fiscal year under section 310 of such Act (as such section was in effect on the day before the date of enactment of this Act) if a concurrent resolution making such revisions includes any matters other than the matters described in paragraphs (1) through (6) of section 301(a) of such Act (as such section was in effect on the day before the date of enactment of this Act);

(4) it shall not be in order in the Senate or the House of Representatives to consider any concurrent resolution on the budget under section 304 of such Act (as such section was in effect on the day before the date of enactment of this Act) revising the second concurrent resolution on the budget required for fiscal year 1984 under section 310 of such Act (as such section was in effect on the day before the date of enactment

of this Act) or any concurrent resolution on the budget adopted after the second concurrent resolution if the concurrent resolution making such revisions includes any matter other than the matters described in paragraphs (1) through (6) of section 301(a) of such Act (as such section was in effect on the day before the date of enactment of this Act) and paragraphs (1) through (4) of section 310(a) of such Act (as such section was in effect on the day before the date of enactment of this Act);

(5) bills and resolutions providing new budget authority for any fiscal year or new spending authority described in section 401(c)(2)(C) of such Act for fiscal year 1984 shall not be enrolled until the concurrent resolution required to be reported under section 310(a) of such Act (as such section was in effect on the day before the date of enactment of this Act) for such fiscal year has been agreed to, and if a reconciliation bill or reconciliation resolution, or both, are required to be reported under section 310(c) of such Act (as such section was in effect on the day before the date of enactment of this Act) for such fiscal year, until Congress has completed action on that bill or resolution, or both;

(6) it shall not be in order in the Senate or the House of Representatives to consider any concurrent

resolution on the budget required under section 310(a) of such Act (as such section was in effect on the day before the date of enactment of this Act) which contains any matters other than the matters described in the first two sentences of such section or which directs any committee to determine and recommend changes in laws, bills, and resolutions authorizing the enactment of new budget authority for fiscal year 1984;

(7) section 405 of such Act, as added by section 5(p) of this Act, shall apply with respect to fiscal year 1984; and

(8) section 802 of such Act, as amended by section 5(r) of this Act, shall apply with respect to fiscal year 1984.

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II

97TH CONGRESS
2D SESSION

S. 2864

To provide for a two-year Federal budget cycle, and for other purposes.

IN THE SENATE OF THE UNITED STATES

AUGUST 19 (legislative day, AUGUST 17), 1982

Mr. FORD (for himself and Mr. QUAYLE) introduced the following bill; which was read twice and held at the desk by unanimous consent

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A BILL

To provide for a two-year Federal budget cycle, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, this Act may be cited as the "Budget Procedures Improvement Act of 1982".

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds and declares that the present annual Federal budgeting process—

(1) allows insufficient time for the fulfillment by the Congress of its legislative and oversight responsibilities;

(2) allows insufficient time for the review and consideration by the Congress of authorizing legislation, budget resolutions, and appropriation bills and resolutions and other spending measures;

(3) allows insufficient time for the evaluation of costly and complicated Federal programs, and thereby contributes to the unrestrained growth of the Federal budget; and

(4) allows insufficient time for agencies and State and local governments to plan for the implementation of programs.

(b) It is the purpose of this Act to establish a more thorough and timely process for the adoption of the Federal budget by—

(1) establishing a two-year cycle for the adoption of the budget;

(2) requiring the separate and distinct consideration of authorizing legislation, the budget, and appropriation bills and resolutions and other spending measures and thereby allowing full evaluation of the need for and the merits and costs of the various programs and agencies of the Federal Government;

(3) strengthening congressional procedures for the consideration of budget resolutions, reconciliation bills

and resolutions, appropriation bills and resolutions, and other measures providing spending authority; and

(4) strengthening the requirement for congressional oversight of Federal programs by authorizing committees.

REVISION OF TIMETABLE

SEC. 3. Section 300 of the Congressional Budget Act of 1974 is amended to read as follows:

"TIMETABLE

"SEC. 300. The timetable with respect to the Congressional budget process for any Congress (beginning with the Ninety-eighth Congress) is as follows:

"First Session

"On or before:	Action to be completed:
November 10 (of the preceding year).	President submits current services budget for the 2-fiscal-year budget period beginning in the succeeding even-numbered year.
January 15	President submits his budget for the 2-fiscal-year budget period beginning in the succeeding calendar year.
April 15	Congressional Budget Office submits report to Budget Committees with respect to the 2-fiscal-year budget period.
May 15	Committees and joint committees submit reports to Budget Committees with respect to the 2-fiscal-year budget period.
June 15	Budget Committees report first concurrent resolution on the budget for the 2-fiscal-year budget period to their Houses.
July 1	Committees report bills and resolutions authorizing new budget authority for the 2-fiscal-year budget period.
July 31	Congress completes action on the first concurrent resolution on the budget for the 2-fiscal-year budget period.
September 15	Committees report allocations of the first concurrent resolution on the budget among programs within their jurisdiction.

"First Session—Continued

December 1	Congress completes action on bills and resolutions authorizing new budget authority for the 2-fiscal-year budget period

"Second Session

"On or before:	Action to be completed:
January 15	President submits revised budget for the 2-fiscal-year budget period.
March 31	House committees report bills providing new budget authority and new spending authority for the 2-fiscal-year budget period.
March 31	Congressional Budget Office submits report to Budget Committees with respect to the 2-fiscal-year budget period.
April 15	Senate committees report bills providing new budget authority and new spending authority for the 2-fiscal-year budget period.
June 15	Budget Committees report second required concurrent resolution on the budget for the 2-fiscal-year budget period to their Houses.
July 15	Congress completes action on bills and resolutions providing new budget authority and new spending authority for the 2-fiscal-year budget period.
August 1	Congress completes action on second required concurrent resolution on the budget for the 2-fiscal-year budget period.
September 25	Congress completes action on the reconciliation bill or resolution, or both, implementing the second required concurrent resolution on the budget for the 2-fiscal-year budget period.
October 1	2-fiscal-year budget period begins.".

TWO-YEAR CYCLE FOR CONGRESSIONAL BUDGET PROCESS

SEC. 4. (a) Section 2(2) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "each year" and inserting in lieu thereof "biennially".

(b)(1) Section 3(4) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period".

(2) Section 3 of such Act is further amended by adding at the end thereof the following new paragraph:

"(6) The term '2-fiscal-year budget period' means the period of 2 consecutive fiscal years beginning on October 1 of any even-numbered year.".

(c)(1) Section 202(f)(1) of the Congressional Budget Act of 1974 is amended—

(A) by striking out "April 1 of each year" and inserting in lieu thereof "April 15 of each odd-numbered year";

(B) by striking out "the fiscal year commencing on October 1 of that year" and inserting in lieu thereof "each fiscal year in the succeeding 2-fiscal-year budget period",

(C) by striking out "such fiscal year" the first place it appears and inserting in lieu thereof "such 2-fiscal-year budget period"; and

(D) by striking out "such fiscal year" the second place it appears and inserting in lieu thereof "each fiscal year in such 2-fiscal-year budget period".

(2) Section 202(f) of such Act is further amended—

(A) by striking out "paragraph (1)" in paragraph (2) and inserting in lieu thereof "paragraphs (1) and (2)";

(B) by redesignating paragraph (2) as paragraph (3); and

(C) by inserting after paragraph (1) the following new paragraph:

"(2) On March 31 of each even-numbered year, the Director shall transmit to the Committees on the Budget of the House of Representatives and the Senate such revisions of the report required by paragraph (1) as may be necessary due to changing economic conditions and due to any revisions in the Budget transmitted by the President to the Congress on January 15 of that year under the last sentence of section 201(a) of the Budget and Accounting Act, 1921.".

(d)(1) Section 301(a) of such Act is amended—

(A) by striking out "May 15" in the subsection heading and inserting in lieu thereof "July 31 of Each Odd-Numbered Year";

(B) by striking out "May 15 of each year" in the first sentence and inserting in lieu thereof "July 31 of each odd-numbered year";

(C) by striking out "the fiscal year beginning on October 1 of such year" and inserting in lieu thereof "the 2-fiscal-year budget period beginning on October 1 of the succeeding year"; and

(D) by inserting a comma and "for each fiscal year in such period" after "set forth".

(2) Section 301(a)(7) of such Act is amended by inserting "except as provided in subsection (b)(2)," before such other matters.

(3) Section 301(b) of such Act is amended to read as follows:

"(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—

"(1) Except as provided in paragraph (2) the first concurrent resolution on the budget may also require any other procedure which is considered appropriate to carry out the purposes of this Act.

"(2) It shall not be in order in the Senate or the House of Representatives to consider any first concurrent resolution on the budget—

"(A) which directs any committee to determine and recommend changes in bills, laws, or resolutions; or

"(B) which includes any matter with respect to any subject other than budget outlays, budget authority, the surplus or deficit in the budget, revenues (including off-setting receipts and off-setting collections), or the level of the public debt.".

(4) Section 301(c) of such Act is amended—

(A) by striking out "March 15 of each year" in the matter preceding paragraph (1) and inserting in lieu thereof "May 15 of each odd-numbered year";

(B) by striking out "the" the second place it appears in paragraph (2) and inserting in lieu thereof "an"; and

(C) by striking out "the fiscal year beginning on October 1 of such year" in paragraph (2) and inserting in lieu thereof "each fiscal year in the 2-fiscal-year budget period beginning on October 1 of the succeeding year".

(5) Section 301(d) of such Act is amended—

(A) by striking out "fiscal year" in the first sentence and inserting in lieu thereof "2-fiscal-year budget period";

(B) by striking out "April 15 of each year" in the third sentence and inserting in lieu thereof "June 15 of each odd-numbered year";

(C) by striking out "the fiscal year beginning on October 1 of such year" in the third sentence and inserting in lieu thereof "the 2-fiscal-year budget period beginning on October 1 of the succeeding year";

(D) by striking out "five" in paragraph (6) and inserting in lieu thereof "four";

(E) by striking out "such fiscal year" in paragraph (6) and inserting in lieu thereof "the first fiscal year of such 2-fiscal-year budget period,"; and

(F) by striking out "such period" in paragraph (6) and inserting in lieu thereof "such four-fiscal-year period".

(6) Section 301(e) of such Act is amended—

(A) by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period"; and

(B) by striking out "set for" in paragraph (1) and inserting in lieu thereof "set forth".

(e)(1) Section 302(a) of such Act is amended—

(A) by inserting "for a 2-fiscal-year budget period" after "budget" the first place it appears; and

(B) by inserting "for each fiscal year in such 2-fiscal-year budget period" after "estimated allocation".

(2) The last sentence of section 302(b) of such Act is amended—

(A) by striking out "Each" and inserting in lieu thereof "By September 15 of each odd-numbered year, each"; and

(B) by striking out "promptly".

(f)(1) Section 303(a) of such Act is amended—

(A) by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period"; and

(B) by striking out "such year" and inserting in lieu thereof "such period".

(2) Section 303(b) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period".

(g) Section 304 of such Act is amended—

(1) by striking out "OF" the second place it appears in the section heading and inserting in lieu thereof "ON";

(2) by striking out "fiscal year" the first two places it appears and inserting in lieu thereof "2-fiscal-year budget period";

(3) by striking out "for such fiscal year";

(4) by inserting before the period "for such 2-fiscal-year budget period"; and

(5) by adding at the end thereof the following: "Prior to the adoption of the second concurrent resolution on the budget required for a 2-fiscal-year budget period under section 310(a), it shall not be in order in the Senate or the House of Representatives to consider any concurrent resolution on the budget revising the most recently agreed to concurrent resolution on the

budget for such 2-fiscal-year budget period if the concurrent resolution making such revisions—

"(1) directs any committee to determine and recommend changes in bills, laws, or resolutions; or

"(2) includes any matter with respect to any subject other than budget outlays, budget authority, the surplus or deficit in the budget, revenues (including offsetting receipts and offsetting collections), or the level of the public debt.".

(h) Section 305 of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period".

(i)(1) Section 307 of such Act is amended—

(A) by striking out the section heading and inserting in lieu thereof "COMMITTEE ACTION ON APPROPRIATION AND OTHER SPENDING BILLS";

(B) by inserting "(a) Committee Action on Regular Appropriations Bills.—" before "Prior";

(C) by striking out "fiscal year" and inserting in lieu thereof "2-fiscal-year budget period";

(D) by striking out "that year" each place it appears and inserting in lieu thereof "that 2-fiscal-year budget period"; and

(E) by inserting "for each fiscal year in that 2-fiscal-year budget period" after "committee's recommendations";

(F) by striking out "as" before "set forth";

(G) by inserting "for each such fiscal year" before "in the most recently"; and

(H) by adding at the end thereof the following new subsection:

"(b) REPORTING OF CERTAIN MEASURES.—

"(1) All bills and resolutions providing budget authority or spending authority described in section 401(c)(2)(C) for any 2-fiscal-year budget period—

"(A) shall be reported to the House of Representatives no later than March 31 of the year in which such period begins; and

"(B) shall be reported to the Senate no later than April 15 of the year in which such period begins.

"(2) If a committee of the House of Representatives or the Senate determines that a waiver of paragraph (1) is necessary with respect to any bill or resolution providing supplemental appropriations for any period, such committee may report, and the House or Senate may consider and adopt, a resolution waiving the application of such paragraph in the case of such bill or resolution.".

(2) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out the item relating to section 307 and inserting in lieu thereof the following new item:

"Sec. 307. Committee action on appropriation and other spending bills.".

(j)(1) Section 308 (a) of the Congressional Budget Act of 1974 is amended—

(A) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "2-fiscal-year budget period";

(B) by striking out "fiscal year" in paragraph (1)(A) and inserting in lieu thereof "2-fiscal-year budget period";

(C) by inserting "for each fiscal year in such 2-fiscal-year budget period" after "resolution" the first place it appears in paragraph (1)(A);

(D) by inserting "for each such fiscal year" after "set forth" in paragraph (1)(A);

(E) by inserting a comma after "projection" in paragraph (1)(B);

(F) by striking out "5" in paragraph (1)(B) and inserting in lieu thereof "4";

(G) by striking out "such fiscal year" in paragraph (1)(B) and inserting in lieu thereof "the first fiscal year of such 2-fiscal-year budget period,";

(H) by striking out "such period" in paragraph (1)(B) and inserting in lieu thereof "such 4-fiscal-year period";

(I) by inserting "for each fiscal year in such 2-fiscal-year budget period" after "governments" in paragraph (1)(C);

(J) by striking out "fiscal year" in paragraph (2)(A) and inserting in lieu thereof "period";

(K) by inserting "for each fiscal year in such 2-fiscal-year budget period" after "tax expenditures" the second place it appears in paragraph (2)(A);

(L) by striking out "such year" in paragraph (2)(A) and inserting in lieu thereof "such period";

(M) by inserting a comma after "projection" in paragraph (2)(B);

(N) by striking out "5" in paragraph (2)(B) and inserting in lieu thereof "4";

(O) by striking out "such fiscal year" in paragraph (2)(B) and inserting in lieu thereof "the first fiscal year of such 2-fiscal-year budget period,"; and

(P) by striking out "such period" in paragraph (2)(B) and inserting in lieu thereof "such 4-fiscal-year period".

(2) Section 308(b) of such Act is amended—

(A) by striking out "fiscal year" in the first sentence and inserting in lieu thereof "2-fiscal-year budget period";

(B) by striking out "such fiscal year" the first place it appears in paragraph (1) and inserting in lieu thereof "each fiscal year in such 2-fiscal-year budget period";

(C) by striking out "such fiscal year" the second place it appears in paragraph (1) and inserting in lieu thereof "each such fiscal year,";

(D) by striking out "such fiscal year" the third place it appears in paragraph (1) and inserting in lieu thereof "such 2-fiscal-year budget period";

(E) by inserting "for each such fiscal year" after "set forth" in paragraph (1);

(F) by striking out "fiscal year" in paragraph (2) and inserting in lieu thereof "2-fiscal-year budget period";

(G) by striking out "fiscal year" in paragraph (3) and inserting in lieu thereof "2-fiscal-year budget period";

(H) by inserting "for each fiscal year in such 2-fiscal-year budget period" after "revenues" the first place it appears in paragraph (3);

(I) by striking out "such year" the first place it appears in paragraph (3) and inserting in lieu thereof "each fiscal year in such 2-fiscal-year budget period";

(J) by striking out "such year" the second place it appears in paragraph (3) and inserting in lieu thereof "each such fiscal year";

(K) by inserting "for each fiscal year in such 2-fiscal-year budget period" after "debt" the first place it appears in paragraph (4);

(L) by striking out "such fiscal year" the first place it appears in paragraph (4) and inserting in lieu thereof "such 2-fiscal-year budget period"; and

(M) by inserting "each" before "such fiscal year" the second place it appears in paragraph (4).

(3) Section 308(c) of such Act is amended—

(A) by striking out "Five" in the subsection heading and inserting in lieu thereof "Four";

(B) by striking out "each fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "each 2-fiscal-year budget period";

(C) by striking out "5 fiscal years beginning with such fiscal year" and inserting in lieu thereof "4 fiscal years beginning with the first fiscal year in such 2-fiscal-year budget period"; and

(D) by striking out "such period" each place it appears and inserting in lieu thereof "such 4-fiscal-year period".

(k)(1) Section 309 of such Act is amended—

(A) by inserting a semicolon and "LIMITATION ON ENROLLMENT OF CERTAIN BILLS AND RESOLUTIONS" at the end of the section heading;

(B) by inserting "(a) COMPLETION OF ACTION REQUIRED.—" before "EXCEPT";

(C) by striking out "the seventh day after Labor Day of each year" in the matter preceding paragraph (1) and inserting in lieu thereof "July 15 of each even-numbered year";

(D) by striking out "such year" the second place it occurs in paragraph (1) and inserting in lieu thereof "such period";

(E) by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period"; and

(F) by adding at the end thereof the following new subsection:

"(b) LIMITATION ON ENROLLMENT.—Bills and resolutions providing new budget authority for any 2-fiscal-year budget period or new spending authority described in section 401(c)(2)(C) for any 2-fiscal-year budget period shall not be enrolled until the concurrent resolution on the budget required to be reported under section 310(a) for such 2-fiscal-year budget period has been agreed to, and if a reconciliation bill or reconciliation resolution, or both are required to be reported under section 310(c) for such 2-fiscal-year budget period, until Congress has completed action on that bill or resolution, or both.".

(2) The item relating to section 309 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting before the period a semicolon and "limitation on enrollment of certain bills and resolutions.".

(l)(1) Section 310(a) of the Congressional Budget Act of 1974 is amended—

(A) by striking out "The" in the first sentence and inserting in lieu thereof "By June 15 of each even-numbered year, the";

(B) by striking out "fiscal year" in the first sentence and inserting in lieu thereof "2-fiscal-year budget period";

(C) by striking out "such fiscal year" each place it appears in paragraph (1) and inserting in lieu thereof "each fiscal year in such 2-fiscal-year budget period";

(D) by inserting "for each fiscal year in such 2-fiscal-year budget period" after "revenues" in paragraph (2);

(E) by inserting "for each fiscal year in such 2-fiscal-year budget period" after "debt" in paragraph (3); and

(F) by inserting before the matter following paragraph (4) the following new sentence:

"It shall not be in order in the Senate or the House of Representatives to consider any such concurrent resolution if such concurrent resolution directs any committee to determine and recommend changes in laws, bills, or resolutions directly or indirectly authorizing the enactment of new budget authority.".

(2) Section 310(b) of such Act is amended by striking out "September 15 of each year" and inserting in lieu thereof "August 1 of each even-numbered year".

(3) Section 310(d) of such Act is amended by inserting "even-numbered" after "each".

(4) Section 310(e) of such Act is amended—

(A) by striking out "20 hours" in paragraph (2) and inserting in lieu thereof "100 hours"; and

(B) by adding at the end thereof the following new paragraph:

"(3) It shall not be in order in the Senate or the House of Representatives to consider any reconciliation bill or resolution or any amendment thereto or any conference report thereon which changes any provision of law other than provisions of law which—

"(A) provide new budget authority or spending authority described in section 401(c)(2)(C);

"(B) relate to revenues; or

"(C) specify the amount of the statutory limit on the public debt.".

(5) Section 310(f) of such Act is amended—

(A) by striking out "It" and inserting in lieu thereof "In any even-numbered year, it"; and

(B) by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period".

(m) Section 311(a) of such Act is amended—

(1) by striking out "fiscal year" the first and second places it appears in the matter preceding paragraph (1) and inserting in lieu thereof "2-fiscal-year budget period";

(2) by striking out "such fiscal year" the second, third, and fourth places it appears in the matter preceding paragraph (1) and inserting in lieu thereof "any fiscal year in such 2-fiscal-year budget period".

(3) by striking out "such fiscal year" in the matter following paragraph (3) and inserting in lieu thereof "the 2-fiscal-year budget period in which such fiscal year occurs";

(4) by inserting "for any such fiscal year" after "outlays" in the matter following paragraph (3);

(5) by inserting "for any such fiscal year" after "revenues" the first place it appears in the matter following paragraph (3); and

(6) by inserting "for such fiscal year" after "revenues" the second place it appears in the matter following paragraph (3).

(n) Section 401(b) of such Act is amended—

(1) by striking out "the fiscal year which begins during the calendar year in" in paragraph (1) and inserting in lieu thereof "the first 2-fiscal-year budget period which begins after the date on";

(2) by striking out "for such fiscal year" in paragraph (2) and inserting in lieu thereof "budget for the 2-fiscal-year budget period in which such fiscal year occurs"; and

(3) by inserting "for such fiscal year" after "new budget authority" the second place it appears in paragraph (2);

(o)(1) Section 402(a) of such Act is amended—

(A) by striking out "REPORTING OF" in the section heading and inserting in lieu thereof "ACTION ON";

(B) by striking out "(a) REQUIRED REPORTING DATE.—" and inserting in lieu thereof "(a)(1) DATES FOR REPORTING AND FINAL ACTION.—";

(C) by striking out "May 15" and inserting in lieu thereof "July 1 of the odd-numbered year";

(D) by striking out "fiscal year" each place it appears and inserting in lieu thereof "2-fiscal-year budget period"; and

(E) by adding at the end thereof the following new paragraph:

"(2) The Congress shall complete action on all bills and resolutions directly or indirectly authorizing the enactment of new budget authority for a 2-fiscal-year budget period not later than December 1 of the year preceding the year in which such 2-fiscal-year budget period begins.".

(2) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "Reporting of" in the item relating to section 402 and inserting in lieu thereof "Action on".

(p) Section 403(a) of the Congressional Budget Act of 1974 is amended—

(1) by striking out "4" in paragraph (1) and inserting in lieu thereof "three"; and

(2) by striking out "four" in paragraph (2) and inserting in lieu thereof "three".

(q)(1) Title IV of such Act is amended by adding at the end thereof the following new section:

"REPORTS

"SEC. 405. (a)(1) The reports required by sections 301(c), 302(b), 308(b), and 308(c) shall contain the tables described in subsection (b).

"(2) Any—

"(A) concurrent resolution on the budget reported by the Committee on the Budget of the Senate or the House of Representatives under section 301, 304, or 310 of this Act; and

"(B) bill or resolution reported by a committee of the Senate or the House of Representatives which provides, modifies, or terminates budget authority or spending authority described in section 401(c)(2)(C), or which contains or modifies estimates of budget outlays,

shall be accompanied by a report containing the tables described in subsection (b). The conference report on any bill or resolution described in clause (A) or (B) of the preceding sentence shall be accompanied by a joint statement of the managers containing such tables.

"(b)(1) The tables required by subsection (a) shall set forth estimates of budget authority, spending authority described in section 401(c)(2)(C), and budget outlays for each of the accounts (to which the report, bill, or resolution referred to in such subsection pertains) which are set forth in the Budget Accounts Listing contained in the Budget of the United States Government submitted by the President pursuant to section 201(a) of the Budget and Accounting Act, 1921, during the Congress in which the report referred to in subsection (a)(1) is made or the bill or resolution described in subsection (a)(2) is reported. If any such report, bill, or resolution contains provisions involving budget authority, spending authority, or outlays for which accounts have not been included in such Budget Accounts Listing, the estimates therefor in the table required by this subsection shall be set forth in account records with account identification codes assigned by the Director of the Congressional Budget Office.

"(2) The tables described in paragraph (1) which are required to be included in the reports required by sections 301(c), 302(b), 308(b), and 308(c), and in the reports accompanying any concurrent resolution on the budget reported under section 301, 304, or 310 shall also set forth estimates for the budget authority and spending authority described in section 401(c)(2)(C) which will become available without further congressional action and estimates of the outlays that will result from such budget authority and spending authority. With respect to the reports required by sections 301(c) and 302(b), the estimates described in the preceding sentence are only required for the accounts or portions of accounts relating to the subject matter within the legislative jurisdiction of the committee submitting the report.".

(2) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 404 the following new item:

"Sec. 405. Reports.".

(r)(1) Section 605(a) of the Congressional Budget Act of 1974 is amended—

(A) by striking out "each year (beginning with 1975)" and inserting in lieu thereof "each even-numbered year (beginning with 1982)";

(B) by striking out "the ensuing fiscal year" and inserting in lieu thereof "each fiscal year in the 2-fiscal-year budget period beginning in the following even-numbered year"; and

(C) by striking out "such ensuing fiscal year" and inserting in lieu thereof "each such fiscal year".

(2) Section 605(b) of such Act is amended by inserting "even-numbered" after "each".

(s) Section 607 of such Act is amended—

(1) by striking out "fiscal year (beginning with the fiscal year commencing October 1, 1976)" and inserting in lieu thereof "2-fiscal-year budget period (beginning on or after October 1, 1984)"; and

(2) by striking out "May 15 of the year preceding the year in which such fiscal year begins" and inserting in lieu thereof "May 15 of the year preceding the year in which the bills and resolutions setting forth such authorizations are to be reported under section 402".

(t)(1) Section 802 of such Act is amended to read as follows:

"BUDGET ACCOUNTS

"SEC. 802. The Budget of the United States Government submitted pursuant to section 201 of the Budget and Accounting Act, 1921, for the 2-fiscal-year budget period beginning on October 1, 1984, and the estimates of outlays and proposed budget authority required to be submitted under section 605 of this Act for such 2-fiscal-year budget period, shall be set forth in the same accounts which are set forth in the Budget Accounts Listing contained in the Budget of the United States Government submitted for fiscal year 1982 under section 201(a) of the Budget and Accounting Act, 1921. Any change in the accounts used in the Budget of the United States Government submitted under section 201(a) of the Budget and Accounting Act, 1921, for the 2-fiscal-year budget period beginning on October 1, 1984, or any succeeding 2-fiscal-year budget period, or in the estimates of outlays and proposed budget authority required under section 605 of this Act for any such 2-fiscal-year budget period, from the accounts set forth in the Budget Accounts Listing contained in the Budget submitted under section 201(a) of the Budget and Accounting Act, 1921, for fiscal year 1983 or the preceding 2-fiscal-year budget period, as the case may be, shall be made only in consultation with the Committees on Appropriations, the Committees on the Budget, and the committees having legislative jurisdiction over the programs or activities which will be affected by such changes. The provisions of this section do not prohibit the inclusion of new accounts in the Budget Accounts Listing contained in the Budget submitted pursuant to section 201(a) of the Budget and Accounting Act, 1921, solely for purposes of presenting estimates for new programs.".

(2) The item relating to section 802 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended to read as follows:

"Sec. 802. Budget accounts.".

(u) Section 904(b) of the Congressional Budget Act of 1974 is amended by inserting "or any provision of a first concurrent resolution on the budget requiring a procedure pursuant to section 301(b)(2)" after "title III or IV".

AMENDMENTS TO BUDGET AND ACCOUNTING ACT, 1921

SEC. 5. (a) Section 2 of the Budget and Accounting Act, 1921 (31 U.S.C. 2) is amended by adding at the end thereof the following new item:

"The term 'two-year fiscal period' has the same meaning as in section 3(6) of the Congressional Budget and Impoundment Control Act of 1974.".

(b)(1) So much of section 201(a) of the Budget and Accounting Act, 1921 (31 U.S.C. 11(a)), as precedes paragraph (1) thereof is amended to read as follows:

"SEC. 201. (a) By January 15 of each odd-numbered year, beginning with 1983, the President shall transmit to the Congress, the Budget for the 2-fiscal-year budget period (as defined in section 3(6) of the Congressional Budget and Impoundment Control Act of 1974) beginning on October 1 of the succeeding calendar year. The Budget transmitted under this subsection shall include the President's Budget Message, summary data and text, and supporting detail. The Budget shall set forth in such form and detail as the President may determine—".

(2) Section 201(a)(5) of such Act is amended—

(A) by striking out "the ensuing fiscal year and projections for the four fiscal years immediately following the ensuing fiscal year" and inserting in lieu thereof "each fiscal year in the ensuing 2-fiscal-year budget period and projections for the two fiscal years immediately following the second fiscal year in the ensuing 2-fiscal-year budget period"; and

(B) by striking out "each year" and inserting in lieu thereof "each even-numbered year".

(3) Section 201(a)(6) of such Act is amended by striking out "the ensuing fiscal year and projections for the four fiscal years immediately following the ensuing fiscal year" and inserting in lieu thereof "each fiscal year in the ensuing 2-fiscal-year budget period and projections for the two fiscal years immediately following the second fiscal year in the ensuing 2-fiscal-year budget period".

(4) Section 201(a)(9) of such Act is amended by striking out "the ensuing fiscal year" and inserting in lieu thereof "each fiscal year in the ensuing 2-fiscal-year budget period".

(5) Section 201(a)(12) of such Act is amended—

(A) by striking out "the ensuing fiscal year" in subparagraph (A) and inserting in lieu thereof "each fiscal year in the ensuing 2-fiscal-year budget period"; and

(B) by striking out "each of the four fiscal years, immediately following that ensuing fiscal year" in subparagraph (B) and inserting in lieu thereof "each of the two fiscal years immediately following the second fiscal year in the ensuing 2-fiscal-year budget period".

(6) Section 201(a)(13) of such Act is amended by striking out "the ensuing fiscal year" each place it appears and inserting in lieu thereof "each fiscal year in the ensuing 2-fiscal-year budget period".

(7) Section 201(a) of such Act is further amended by adding at the end thereof the following new sentence: "By January 15 of each even-numbered year, the President shall transmit to the Congress any revisions the President may desire to make in the Budget transmitted in the previous year.".

(c) Section 201(b) of such Act is amended—

(1) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "2-fiscal-year budget period"; and

(2) by striking out "that ensuing fiscal year" each place it appears and inserting in lieu thereof "each fiscal year in that ensuing 2-fiscal-year budget period".

(d) Section 201(c) of such Act is amended—

(1) by striking out "the first four fiscal years following the ensuing fiscal year" in paragraph (1) and inserting in lieu thereof "each fiscal year in the first 2-fiscal-year budget period following the ensuing 2-fiscal-year budget period";

(2) by striking out "fiscal years following such ensuing fiscal year" in paragraph (2) and inserting in lieu thereof "each fiscal year in the first 2-fiscal-year budget period following such ensuing 2-fiscal-year budget period"; and

(3) by striking out "ensuing fiscal year" in paragraph (2) and inserting in lieu thereof "ensuing 2-fiscal-year budget period".

(e) Section 201(d) of such Act is amended—

(1) by striking out "fiscal year" and inserting in lieu thereof "2-fiscal-year budget period"; and

(2) by inserting a comma and "for each fiscal year in such 2-fiscal-year budget period," after "separately".

(f) Section 201(e) of such Act is amended—

(1) by striking out "each fiscal year" and inserting in lieu thereof "each 2-fiscal-year budget period"; and

(2) by striking out "such fiscal year" and inserting in lieu thereof "each fiscal year in such 2-fiscal-year budget period".

(g) Section 201(f) of such Act is amended—

(1) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "2-fiscal-year budget period";

(2) by striking out "the last completed fiscal year" each place it appears and inserting in lieu thereof "each of the last two completed fiscal years";

(3) by inserting "each" after "during" each place it appears in paragraphs (1) and (2); and

(4) by striking out "year" each place it appears in paragraph (3) and inserting in lieu thereof "years".

(h) Section 201(g) of such Act is amended—

(1) by striking out "ensuing fiscal year" in the first sentence and inserting in lieu thereof "each fiscal year in the ensuing 2-fiscal-year budget period"; and

(2) by striking out "fiscal year" each place it appears in the fourth sentence and inserting in lieu thereof "2-fiscal-year budget period".

(i) Section 201(h) of such Act is amended—

(1) by striking out "fiscal year" the first and second places it appears and inserting in lieu thereof "2-fiscal-year budget period";

(2) by inserting "each fiscal year in" after "appropriations for" the first place it appears;

(3) by striking out "such succeeding" and inserting in lieu thereof "each such"; and

(4) by striking out "fiscal year preceding the fiscal year" and inserting in lieu thereof "2-fiscal-year

budget period preceding the 2-fiscal-year budget period".

(j) Section 201(i) of such Act is amended—

(1) by striking out "each fiscal year, beginning with the fiscal year ending September 30, 1979" and inserting in lieu thereof "each 2-fiscal-year budget period, beginning with the 2-fiscal-year budget period beginning October 1, 1984"; and

(2) by inserting a comma and "for each fiscal year in such 2-fiscal-year budget period," after "presentation".

(k) Section 202 of such Act (31 U.S.C. 13) is amended—

(1) by striking out "ensuing fiscal year" each place it appears and inserting in lieu thereof "ensuing 2-fiscal-year budget period"; and

(2) by inserting "or the 2-fiscal-year budget period in progress, as the case may be," after "progress," in subsection (a).

(l) Section 214 of such Act (31 U.S.C. 22) amended by striking out "in each year" and inserting in lieu thereof "for each 2-fiscal-year budget period".

(m) Section 304 of the Department of Commerce Appropriation Act, 1963 (31 U.S.C. 25) is amended by striking out "fiscal year 1964 and each succeeding year" and inserting in lieu thereof "the 2-fiscal-year budget period beginning on October 1, 1984, and each succeeding 2-fiscal-year budget period".

(n) Section 318 of the Department of Transportation and Related Agencies Appropriation Act, 1982 (31 U.S.C. 28(a)) is amended—

(1) by striking out "fiscal year 1982" each place it appears in subsections (a) and (b) and inserting in lieu thereof "the 2-fiscal-year budget period beginning on October 1, 1984,"; and

(2) by striking out "annually" in subsection (a) and inserting in lieu thereof "biennially".

(o) Section 3670 of the Revised Statutes (31 U.S.C. 624) is amended—

(1) by striking out "annual";

(2) by inserting "for a 2-fiscal-year budget period" after "service" the first place it appears; and

(3) by striking out "year" and inserting in lieu thereof "period".

TITLE AND STYLE OF APPROPRIATION ACTS

SEC. 6. Section 105 of title 1, United States Code, is amended to read as follows:

"§ 105. Title and style of appropriation Acts

"(a) The style and title of all Acts making appropriations for the support of the Government shall be as follows:

'An Act making appropriations (here insert the object) for the 2-fiscal-year budget period ending September 30 (here insert the even-numbered calendar year.).'.

"(b) All Acts making regular appropriations for the support of the Government shall be enacted for a 2-fiscal-year budget period, and shall specify the amount of appropriations provided for each fiscal year in such period.

"(c) For purposes of this section, the term '2-fiscal-year budget period' has the same meaning as in section 3(6) of the Congressional Budget and Impoundment Control Act of 1974.".

AMENDMENTS TO THE LEGISLATIVE REORGANIZATION ACT OF 1946

SEC. 7. (a) Section 136(a) of the Legislative Reorganization Act of 1946 is amended—

(1) by striking out "Congress" in the matter preceding paragraph (1) and inserting in lieu thereof "Senate and the House of Representatives";

(2) by striking out "its" each place it appears in paragraphs (1) and (2) and inserting in lieu thereof "their";

(3) by inserting "(except the Committees on Appropriations, the Committees on the Budget, the House Committee on House Administration, the House Committee on Rules, and the House Committee on Stand-

ards of Official Conduct)" after "Representatives" in the matter following paragraph (2); and

(4) by striking out the second and third sentences thereof.

(b) Section 136 of such Act is further amended by striking out subsections (b) and (c) and inserting in lieu thereof the following new subsections:

"(b) During the period beginning on January 15th of each odd-numbered year and ending October 1 of the following year, each standing committee of the House of Representatives and the Senate to which subsection (a) applies shall review and study—

"(1) the application, administration, execution, and effectiveness of those laws (or parts of laws) the subject matter of which is within the jurisdiction of that committee, and

"(2) the organization and operation of the Federal agencies and entities having responsibilities in or for the administration thereof,

in order to determine whether such laws and the programs thereunder are being implemented and carried out in accordance with the intent of the Congress and whether such programs should be continued, modified, or eliminated. During such period, each such committee shall also review and study any conditions or circumstances which may indicate the necessity or desirability of enacting new or additional legislation within the jurisdiction of that committee (whether or not any bill or resolution has been introduced with respect thereto). Such committee may carry out the required reviews and studies by contract, or may require a Government agency to do so and furnish a report thereon to the committee. Such committees may rely on such techniques as pilot testing, analysis of costs in comparison with benefits, or provision for evaluation after a defined period of time. The findings and determinations made by each such committee from its oversight activities under this section in any year shall be reported to the House of Representatives or the Senate no later than October 1 of such even-numbered year, and shall constitute the basis for such committee's legislative work during the succeeding Congress.

"(c) To assist a standing committee in carrying out its responsibilities under this section, the head of each Federal agency which administers the laws or parts of laws under the jurisdiction of such committee shall provide to such committee such studies, information, analyses, reports, and assistance, including the requests for appropriations and the justifications therefor submitted by the agency to the Director of the Office of Management and Budget pursuant to section 215 of the Budget and Accounting Act, 1921, as may be requested by the chairman and ranking minority member of the committee, except that such request and justifications for a 2-fiscal-year budget period shall not be submitted under this subsection until after the day the President transmits the Budget to the Congress under section 201(a) of such Act for such period.

"(d)(1) To assist a standing committee in carrying out its responsibilities under this section, the head of any agency shall furnish without charge to such committee computer tapes or discs, together with explanatory documentation, containing information received, compiled, or maintained by the agency as part of the operation or administration of a program, or specifically compiled pursuant to a request in support of a review of a program, as may be requested by the chairman and ranking minority member of such committee.

"(2) The Committee on House Administration of the House of Representatives and the Committee on Rules and Administration of the Senate shall prescribe rules and regulations for their respective Houses which will minimize duplication of requests under paragraph (1) of this subsection.

"(e) Within thirty days after the receipt of a request from a chairman and ranking minority member of a standing committee having jurisdiction over a program being reviewed and studied by such committee under this section, the Comptroller General of the United States shall furnish to such committee summaries of any audits or reviews of such program which the Comptroller General has completed during the preceding six years.

"(f) Consistent with their duties and functions under law, the Comptroller General of the United States, the Director of the Congressional Budget Office, the Director of the Office of Technology Assessment, and the Director of the Congressional Research Service shall furnish to each standing committee of the Senate or the House of Representatives such information, studies, analyses, and reports as the chairman and ranking minority member may request to assist the committee in conducting reviews and studies of programs under this section.

"(g) This section does not require the public disclosure of matters that are specifically authorized under criteria established by an Executive order to be kept secret in the interest of national defense or foreign policy and are in fact properly classified pursuant to such Executive order, or which are otherwise specifically protected by law. This section does not require any committee of the Senate to disclose publicly information the disclosure of which is governed by Senate Resolution 400, Ninety-fourth Congress, or any other rule of the Senate.".

AMENDMENTS TO RULES OF SENATE AND HOUSE OF REPRESENTATIVES

SEC. 8. (a) Paragraph 8 of rule XXVI of the Standing Rules of the Senate is repealed.

(b)(1) Clause 4(a)(1)(A) of rule X of the Rules of the House of Representatives is amended by inserting "odd-numbered" after "each".

(2) Clause 4(a)(2) of rule X of the Rules of the House of Representatives is amended by striking out "such fiscal year" and inserting in lieu thereof "the 2-fiscal-year budget period in which such fiscal year occurs".

(3) Clause 4(b)(2) of rule X of the Rules of the House of Representatives is amended by striking out "fiscal year" and inserting in lieu thereof "2-fiscal-year budget period".

(4 Clause 4(f) of rule X of the Rules of the House of Representatives is amended by striking out "annually" each place it appears and inserting in lieu thereof "biennially".

(5) Clause 4(g) of rule X of the Rules of the House of Representatives is amended—

(A) by striking out "March 15 of each year" and inserting in lieu thereof "May 15 of each odd-numbered year";

(B) by striking out "fiscal year" the first place it appears and inserting in lieu thereof "2-fiscal-year budget period"; and

(C) by striking out "that fiscal year" and inserting in lieu thereof "each fiscal year in such ensuing 2-fiscal-year budget period".

(6) Clause 4(h) of rule X of the Rules of the House of Representatives is amended by striking out "fiscal year" and inserting in lieu thereof "2-fiscal-year budget period".

(c)(1) Clause 2(l)(1)(C) of rule XI of the Rules of the House of Representatives is amended—

(A) by striking out "fiscal year" and inserting in lieu thereof "2-fiscal-year budget period";

(B) by striking out "that year" each place it appears and inserting in lieu thereof "that 2-fiscal-year budget period";

(C) by inserting "for each fiscal year in that 2-fiscal-year budget period" after "committee's recommendations";

(D) by striking out "as" before "set forth"; and

(E) by inserting "for each such fiscal year" before "in the most recently".

(2) Clause 4(a) of rule XI of the Rules of the House of Representatives is amended by striking out "fiscal year if reported after September 15 preceding the beginning of such fiscal year" and inserting in lieu thereof "2-fiscal-year budget period if reported after August 1 of the year in which such 2-fiscal-year budget period begins".

(d) Clause 2 of rule XLIX of the Rules of the House of Representatives is amended by striking out "fiscal year" and inserting in lieu thereof "2-fiscal-year budget period".

EFFECTIVE DATE

SEC. 9. The provisions of this Act and the amendments made by this Act shall take effect the first day of the Ninety-eighth Congress, except that—

(1) the amendments made by section 4(r) of this Act shall take effect on November 9, 1982; and

(2) the provisions of section 10 of this Act shall take effect on the date of enactment of this Act.

FISCAL YEAR 1984

SEC. 10. (a) Notwithstanding the amendments made by sections 3, 4, 5, 6, 7, and 8 of this Act, the President shall submit to the Congress a budget for fiscal year 1984, and the estimates of outlays and proposed budget authority that would have been required under section 605 of the Congressional Budget Act of 1974 (as such section was in effect on November 8, 1982). The provisions of section 201 of the Budget and Accounting Act, 1921, (as such provisions were in effect on the day before the effective date of this Act) shall apply to the submission by the President of the budget for fiscal year 1984. The provisions of section 605 of the Congressional Budget Act of 1974 (as such provisions were in effect on November 8, 1982) shall apply with respect to the submission of such estimates by the President.

(b) Notwithstanding the amendments made by sections 3, 4, 5, 6, 7, and 8 of this Act, the Congress shall complete action on the concurrent resolutions on the budget that would have been required for fiscal year 1984 under the provisions of the Congressional Budget Act of 1974 as such provisions were in effect on the day before the effective date of this Act. The provisions of the Congressional Budget and Impoundment Control Act of 1974 (as such provisions were in effect on the day before the date of enactment of this Act) shall apply with respect to concurrent resolutions on the budget for fiscal year 1984, bills and resolutions providing new budget authority or new spending authority for fiscal year 1984, and bills and resolutions authorizing the enactment of new budget authority for fiscal year 1984, except that—

(1) the provisions of section 301(b)(1) of such Act (as in effect on the day before the effective date of this Act) shall not apply with respect to fiscal year 1984, and the provisions of section 301(b)(2) of such Act (as in effect on the day before the effective date of this Act) shall not apply with respect to fiscal year 1984 to the extent that such provisions are inconsistent with clause (2) of this subsection;

(2) it shall not be in order in the Senate or the House of Representatives to consider any first concurrent resolution on the budget for fiscal year 1984 required by section 301 of such Act (as in effect on the day before the effective date of this Act) if such concurrent resolution on the budget—

(A) directs any committee to determine and recommend changes in bills, laws, or resolutions; or

(B) includes any matter with respect to any subject other than budget outlays, budget authority, the surplus or deficit in the budget, revenues (including off-setting receipts and off-setting collections), or the level of the public debt.

(3) prior to the adoption of the second concurrent resolution on the budget required for a fiscal year under section 310(a) of such Act (as in effect on the day before the effective date of this Act), it shall not be in order in the Senate or the House of Representatives to consider under section 304 of such Act (as in effect on the day before the effective date of this Act) any concurrent resolution on the budget revising the most recently agreed to concurrent resolution on the budget for such fiscal year if the concurrent resolution making such revisions—

(A) directs any committee to determine and recommend changes in bills, laws, or resolutions; or

(B) includes any matter with respect to any subject other than budget outlays, budget authority, the surplus or deficit in the budget, revenues (including offsetting receipts and offsetting collections), or the level of the public debt.

(4) bills and resolutions providing new budget authority for fiscal year 1984 or new spending authority described in section 401(c)(2)(C) of such Act for fiscal year 1984 shall not be enrolled until the concurrent resolution on the budget required to be reported under section 310(a) of such Act (as in effect on the day before the effective date of this Act) for such fiscal year has been agreed to, and if a reconciliation bill or reconciliation resolution, or both, are required to be reported under section 310(c) of such Act (as in effect on the day before the effective date of this Act) for such fiscal year, until Congress has completed action on that bill or resolution, or both;

(5) it shall not be in order in the Senate or the House of Representatives to consider any concurrent resolution on the budget required under section 310(a) of such Act (as in effect on the day before the effective

date of this Act) for fiscal year 1984 if such concurrent resolution directs any committee to determine and recommend changes in laws, bills, and resolutions directly or indirectly authorizing the enactment of new budget authority for fiscal year 1984;

(6) it shall not be in order in the Senate or the House of Representatives to consider any reconciliation bill or resolution for fiscal year 1984 or any amendment thereto or any conference report thereon which changes any provision of law other than provisions of law which—

(A) provide new budget authority or spending authority described in section 401(c)(2)(C);

(B) relate to revenues; or

(C) specify the amount of the statutory limit on the public debt.

(7) section 405 of such Act, as added by section 4(q) of this Act, shall apply with respect to fiscal year 1984; and

(8) section 802 of such Act, as amended by section 4(t) of this Act, shall apply with respect to fiscal year 1984.

○

97TH CONGRESS
2D SESSION

S. 2008

To amend the Congressional Budget Act of 1974 to provide for a two-year budget process, to provide for timely oversight of authorizing legislation and appropriations, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 25, 1982

Mr. QUAYLE introduced the following bill; which was read twice and referred jointly pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs with instructions that if one committee reports, the other committee has thirty days of continuous session to report or be discharged

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A BILL

To amend the Congressional Budget Act of 1974 to provide for a two-year budget process, to provide for timely oversight of authorizing legislation and appropriations, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Budget and Oversight Reform Act of 1981".

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds and declares that the present annual Federal budget process—

(1) provides the Congress with insufficient time to effectively perform its legislative and oversight responsibilities;

(2) provides the relevant committees of the Senate and the House of Representatives with insufficient time to review and evaluate the costs and benefits of complex Federal programs;

(3) provides the relevant committees of each House with insufficient time to review the formulas and financing mechanisms utilized in current entitlement programs, and such insufficient time has contributed to unrestrained growth in Federal expenditures; and

(4) provides Federal agencies and State and local authorities insufficient time to plan for changes in Federal programs.

(b) It is the purpose of this Act to establish a more effective and comprehensive budget process by—

(1) establishing a two-year period for adoption and revision of the Federal budget;

(2) establishing a timetable to allow for oversight hearings by the relevant committees of the Senate and the House of Representatives to review the complex programs of the Federal Government;

(3) establishing a timetable for appropriations and final budget spending decisions, which would follow the findings of the review and oversight process; and

(4) strengthening congressional budget procedures by requiring separate and distinct consideration of authorizing legislation, appropriation bills, and the budget, thus allowing time for full evaluation of alternative approaches in the funding of the various programs and agencies of the Federal Government.

REVISION OF TIMETABLE

SEC. 3. Section 300 of the Congressional Budget Act of 1974 is amended to read as follows:

"TIMETABLE

"SEC. 300. The timetable with respect to the congressional budget process for any Congress (beginning with the Ninety-eighth Congress) is as follows:

"First Session

"On or before:	Action to be completed:
November 10 (of the preceding year).	President submits current services budget for the biennial fiscal period beginning in the succeeding even-numbered year.
January 15	President submits his budget for the biennial fiscal period.
January 15	All committees begin oversight hearings with respect to major Federal programs.
March 1	Comptroller General of the United States reports evaluations of major Federal programs to the standing committees.
April 1	Committees complete oversight hearings and report to the Budget Committees of both Houses with respect to the biennial fiscal period.
April 30	Congressional Budget Office submits report to the Budget Committees with respect to the biennial fiscal period.

"First Session—Continued

June 30	Budget Committees report first concurrent resolution on the budget for the biennial fiscal period to their Houses.
July 31	Congress completes action on first concurrent resolution on the budget for the biennial fiscal period.
September 15	Committees report allocations of first concurrent resolution on the budget among programs within their respective jurisdictions.
December 15	Congress completes action on bills and resolutions authorizing new budget authority for the biennial fiscal period.

"Second Session

"On or before:	Action to be completed:
January 15	President submits revised budget for the biennial fiscal period.
March 15	Congressional Budget Office submits report to the Budget Committees on the President's revised budget.
April 15	House Appropriations Committee reports bills for the biennial fiscal period.
May 1	Senate Appropriations Committee reports bills for the biennial fiscal period.
July 31	Congress completes action, except enrollment, on bills and resolutions providing new spending authority for the biennial fiscal period.
August 15	Budget Committees report second concurrent resolution on the budget for the biennial fiscal period to their Houses.
September 15	Congress completes action on second concurrent resolution on the budget for the biennial fiscal period.
October 1	Congress completes action on reconciliation bill or resolution to implement second concurrent resolution on the budget for the biennial fiscal period.
October 1	Biennial fiscal period begins.".

TWO-YEAR CYCLE FOR CONGRESSIONAL BUDGET PROCESS

SEC. 4. (a) Section 2(2) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "each year" and inserting in lieu thereof "biennially".

(b)(1) Section 3(1) of such Act is amended—

(A) by striking out "fiscal year" and inserting in lieu thereof "biennial fiscal period"; and

(B) by striking out "such year" and inserting in lieu thereof "such period".

(2) Section 3(4) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "biennial fiscal period".

(3) Section 3 of such Act is further amended by adding at the end thereof the following new paragraph:

"(6) The term 'biennial fiscal period' means the period of 2 years beginning on October 1 of any even-numbered year and ending on September 30 of the succeeding even-numbered year.".

(c)(1) Section 202(f)(1) of the Congressional Budget Act of 1974 is amended—

(A) by striking out "April 1 of each year" and inserting in lieu thereof "April 30 of each odd-numbered year";

(B) by striking out "fiscal year commencing on October 1 of that year" and inserting in lieu thereof "biennial fiscal period commencing on October 1 of the succeeding year"; and

(C) by striking out "such fiscal year" each place it appears and inserting in lieu thereof "such biennial fiscal period".

(2) Section 202(f) of such Act (as amended by paragraph (1) of this subsection) is further amended—

(A) by redesignating paragraph (2) as paragraph (3) and (in such paragraph) striking out "paragraph (1)" and inserting in lieu thereof "paragraphs (1) and (2)"; and

(B) by inserting after paragraph (1) the following new paragraph:

"(2) On March 15 of each even-numbered year, the Director shall transmit to the Committees on the Budget of the House of Representatives and the Senate such revisions of the report required by paragraph (1) as may be necessary due to changing economic conditions and due to any revisions in the Budget transmitted by the President to the Congress on January 15 of that year under the last sentence of section 201(a) of the Budget and Accounting Act, 1921.".

(d)(1) Section 301(a) of such Act is amended—

(A) by striking out "May 15" in the subsection heading and inserting in lieu thereof "July 31 of Each Odd-Numbered Year";

(B) by striking out "May 15 of each year" in the first sentence and inserting in lieu thereof "July 31 of each odd-numbered year"; and

(C) by striking out "the fiscal year beginning on October 1 of such year" and inserting in lieu thereof "the biennial fiscal period beginning on October 1 of the succeeding year".

(2) Section 301(b)(1) of such Act is amended by striking out "fiscal year" and inserting in lieu thereof "biennial fiscal period".

(3) Section 301(c) of such Act is amended—

(A) by striking out "Views and Estimates of" in the subsection heading and inserting in lieu thereof "Oversight and Reports by";

(B) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(C) by redesignating the matter after the subsection heading as paragraph (2);

(D) by inserting after the subsection heading the following new paragraph:

"(1) On January 15 of each odd-numbered year, each standing committee of the House of Representatives and the Senate shall commence hearings and evaluations with respect to major Federal programs within the jurisdiction of such committee. In conducting such hearings, such committees shall receive testimony from Members of Congress and such appropriate representatives of Federal departments and agencies, the general public, and national organizations as the committee deems desirable.";

(E) by striking out "March 15 of each year" in paragraph (2) and inserting in lieu thereof "April 1 of each odd-numbered year";

(F) by inserting "a report containing" before the dash in paragraph (2);

(G) by striking out "and" after the semicolon in subparagraph (A) of paragraph (2) (as redesignated by subparagraphs (B) and (C) of this paragraph);

(H) by striking out "the fiscal year beginning on October 1 of such year." in subparagraph (B) of paragraph (2) (as redesignated by subparagraphs (A) and (B) of this paragraph) and inserting in lieu thereof "the biennial fiscal period beginning on October 1 of the succeeding year;"; and

(I) by inserting after subparagraph (B) of paragraph (2) (as redesignated by subparagraphs (B) and (C) of this paragraph) the following new subparagraphs:

"(C) a description of the recommendations of the committee with respect to major Federal programs made as a result of the hearings and evaluations conducted pursuant to paragraph (1);

"(D) comments on the recommendations made by the Comptroller General of the United States in the report required under section 405 with respect to controlling costs and improving efficiency in major Federal programs; and

"(E) in the case of any committee having jurisdiction of any program for which spending authority, as defined in section 401(c)(2)(C), is provided, specific recommendations concerning any change in such program which would strengthen the ability of the Congress to exercise fiscal control over outlays under such program.".

(4) Section 301(d) of such Act is amended—

(A) by striking out "fiscal year" in the first sentence and inserting in lieu thereof "biennial fiscal period";

(B) by striking out "April 15 of each year" in the third sentence and inserting in lieu thereof "June 30 of each odd-numbered year";

(C) by striking out "fiscal year beginning on October 1 of such year" in the third sentence and inserting in lieu thereof "biennial fiscal period beginning on October 1 of the succeeding year";

(D) by striking out "five fiscal" in paragraph (6) and inserting in lieu thereof "four";

(E) by striking out "such fiscal year" in paragraph (6) and inserting in lieu thereof "the first year of such biennial fiscal period,"; and

(F) by striking out "each fiscal year in such period" in paragraph (6) and inserting in lieu thereof "each year in such four-year period".

(5) Section 301(e) of such Act is amended—

(A) by striking out "set for" in paragraph (1) and inserting in lieu thereof "set forth"; and

(B) by striking out "fiscal year" in paragraph (2) and inserting in lieu thereof "biennial fiscal period"; and

(e) The last sentence of section 302(b) of such Act is amended—

(1) by striking out "Each" and inserting in lieu thereof "By September 15 of each odd-numbered year, each"; and

(2) by striking out "promptly".

(f)(1) Section 303(a) of such Act is amended—

(A) by striking out "fiscal year" each place it appears and inserting in lieu thereof "biennial fiscal period"; and

(B) by striking out "such year" and inserting in lieu thereof "such period".

(2) Section 303(b) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "biennial fiscal period".

(g)(1) Section 304 of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "biennial fiscal period".

(2) The section heading for section 304 of such Act is amended by striking out "OF" the second place it appears and inserting in lieu thereof "ON".

(h)(1)(A) Section 305(a)(3) of such Act is amended by striking out "fiscal year" and inserting in lieu thereof "biennial fiscal period".

(B) Paragraphs (6), (7), (8), and (9) of section 305(a) of such Act are redesignated as paragraphs (5), (6), (7), and (8), respectively.

(2)(A) Section 305(b)(3) of such Act is amended by striking out "fiscal year" and inserting in lieu thereof "biennial fiscal period".

(B) Paragraphs (6) and (7) of section 305(b) of such Act are redesignated as paragraphs (5) and (6), respectively.

(i)(1) Section 307 of such Act is amended—

(A) by striking out the section heading and inserting in lieu thereof "COMMITTEE ACTION ON APPROPRIATION AND OTHER SPENDING BILLS";

(B) by inserting "(a) COMMITTEE ACTION ON REGULAR APPROPRIATIONS BILLS.—" before "Prior";

(C) by striking out "fiscal year" and inserting in lieu thereof "biennial fiscal period";

(D) by striking out "that year" each place it appears and inserting in lieu thereof "that period"; and

(E) by adding at the end thereof the following new subsection:

"(b) REPORTING OF CERTAIN MEASURES.—(1) All bills and resolutions providing budget authority or spending authority (as defined by section 401(c)(2)(C)) for any biennial fiscal period—

"(A) shall be reported to the House of Representatives no later than April 15 of the year in which such period begins; and

"(B) shall be reported to the Senate no later than May 1 of the year in which such period begins.

"(2) If a committee of the House of Representatives or the Senate determines that changes in circumstances with the passage of time require a waiver of paragraph (1) with respect to any bill or resolution providing supplemental appropriations for any period, such committee may report, and the House or Senate may consider and adopt, a resolution waiving the application of such paragraph in the case of such bill or resolution.".

(2) The item relating to section 307 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended to read as follows:

"Sec. 307. Committee action on appropriation and other spending bills.".

(j)(1) Section 308 (a) of the Congressional Budget Act of 1974 is amended—

(A) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "biennial fiscal period";

(B) by striking out "fiscal year" in paragraph (1)(A) and inserting in lieu thereof "biennial fiscal period";

(C) by inserting a comma after "projection" in paragraph (1)(B);

(D) by striking out "5 fiscal" in paragraph (1)(B) and inserting in lieu thereof "4";

(E) by striking out "such fiscal year" in paragraph (1)(B) and inserting in lieu thereof "the first year of such biennial fiscal period,";

(F) by striking out "such period" in paragraph (1)(B) and inserting in lieu thereof "such 4-year period";

(G) by striking out "fiscal year" in paragraph (2)(A) and inserting in lieu thereof "biennial fiscal period";

(H) by striking out "such year" in paragraph (2)(A) and inserting in lieu thereof "such period";

(I) by inserting a comma after "projection" in paragraph (2)(B);

(J) by striking out "5 fiscal" in paragraph (2)(B) and inserting in lieu thereof "4";

(K) by striking out "such fiscal year" in paragraph (2)(B) and inserting in lieu thereof "the first year of such biennial fiscal period,";

(L) by striking out "such period" in paragraph (2)(B) and inserting in lieu thereof "such 4-year period"; and

(M) by striking out "fiscal year" each place it appears in the last sentence of such subsection and inserting in lieu thereof "biennial fiscal period".

(2) Section 308(b) of such Act is amended—

(A) by striking out "fiscal year" in the first sentence and inserting in lieu thereof "biennial fiscal period";

(B) by striking out "fiscal year" each place it appears in paragraph (1) and inserting in lieu thereof "biennial fiscal period";

(C) by striking out "fiscal year" in paragraph (2) and inserting in lieu thereof "biennial fiscal period";

(D) by striking out "fiscal year" in paragraph (3) and inserting in lieu thereof "biennial fiscal period";

(E) by striking out "such year" each place it appears in paragraph (3) and inserting in lieu thereof "such period"; and

(F) by striking out "fiscal year" each place it appears in paragraph (4) and inserting in lieu thereof "biennial fiscal period".

(3) Section 308(c) of such Act is amended—

(A) by striking out "FIVE-YEAR" in the subsection heading and inserting in lieu thereof "FOUR-YEAR";

(B) by striking out "each fiscal year" each place it appears and inserting in lieu thereof "each biennial fiscal period";

(C) by striking out "5 fiscal years beginning with such fiscal year" and inserting in lieu thereof "4 years beginning with the first year in such biennial fiscal period"; and

(D) by striking out "such period" each place it appears and inserting in lieu thereof "such 4-year period".

(k)(1) Section 309 of such Act is amended—

(A) by inserting a semicolon and "LIMITATION ON ENROLLMENT OF CERTAIN BILLS AND RESOLUTIONS" at the end of the section heading;

(B) by inserting "(a) COMPLETION OF ACTION REQUIRED.—" before "EXCEPT";

(C) by striking out "the seventh day after Labor Day of each year" in the matter preceding paragraph (1) and inserting in lieu thereof "July 31 of each even-numbered year";

(D) by striking out "fiscal year" each place it appears in paragraphs (1) and (2) and inserting in lieu thereof "biennial fiscal period"; and

(E) by adding at the end thereof the following new subsection:

"(b) LIMITATION ON ENROLLMENT.—Bills and resolutions providing new budget authority for any biennial fiscal period or new spending authority described in section 401(c)(2)(C) for any biennial fiscal period shall not be enrolled until the concurrent resolution required to be reported under section 310(a) for such biennial fiscal period has been agreed to, and if a reconciliation bill or reconciliation resolution, or both are required to be reported under section 310(c) for such biennial fiscal period, until Congress has completed action on that bill or resolution, or both.".

(2) The item relating to section 309 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting before the period at the end thereof a semicolon and "limitation on enrollment of certain bills and resolutions".

(l)(1) Section 310(a) of the Congressional Budget Act of 1974 is amended—

(A) by striking out "The" in the first sentence and inserting in lieu thereof "By August 15 of each even-numbered year, the";

(B) by striking out "fiscal year" in the first sentence and inserting in lieu thereof "biennial fiscal period";

(C) by striking out "fiscal year" each place it appears in subparagraphs (A) and (C) of paragraph (1) and inserting in lieu thereof "biennial fiscal period"; and

(D) by inserting "or prior biennial fiscal periods, as the case may be" after "prior fiscal years" in subparagraph (B) of paragraph (1).

(2) Section 310(b) of such Act is amended by striking out "each year" and inserting in lieu thereof "each even-numbered year".

(3) Section 310(d) of such Act is amended by striking out "September 25 of each year" and inserting in lieu thereof "October 1 of each even-numbered year".

(4) Section 310(f) of such Act is amended—

(A) by striking out "It" and inserting in lieu thereof "In any even-numbered year, it"; and

(B) by striking out "fiscal year" each place it appears and inserting in lieu thereof "biennial fiscal period".

(m) Section 311 of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "biennial fiscal period".

(n)(1) Section 401(a) of such Act is amended by striking out "fiscal year" and inserting in lieu thereof "biennial fiscal period".

(2)(A) Section 401(b)(1) of such Act is amended by striking out "the fiscal year which begins during the calendar year in" and inserting in lieu thereof "the first biennial fiscal period which begins after the date on".

(B) Section 401(b)(2) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "biennial fiscal period".

(o)(1) Section 402 of such Act is amended—

(A) by striking out "REPORTING OF" in the section heading and inserting in lieu thereof "ACTION ON";

(B) by striking out the subsection heading for subsection (a) and inserting in lieu thereof "DATES FOR REPORTING AND FINAL ACTION.—(1)";

(C) by striking out "fiscal year" each place it appears in subsection (a) and inserting in lieu thereof "biennial fiscal period";

(D) by striking out "May 15" in subsection (a) and inserting in lieu thereof "July 31 of the odd-numbered year"; and

(E) by adding at the end of subsection (a) the following new paragraph:

"(2) The Congress shall complete action on all bills and resolutions directly or indirectly authorizing the enactment of new budget authority for a biennial fiscal period no later than December 15 of the odd-numbered year preceding the year in which such period begins.".

(2) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "Reporting of" in the item relating to section 402 and inserting in lieu thereof "Action on".

(p) Section 403(1) of the Congressional Budget Act of 1974 is amended by striking out "fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year" and inserting in lieu thereof "biennial fiscal period in which it is to become effective and in the succeeding biennial fiscal period".

(q)(1) Title IV of the Congressional Budget Act of 1974 is amended by adding at the end thereof the following new section:

"REPORT BY THE COMPTROLLER GENERAL OF THE UNITED STATES

"SEC. 405. By March 1 of each odd-numbered year, the Comptroller General of the United States shall prepare and transmit to each of the standing committees of the Senate and the House of Representatives a report containing an evaluation of each major Federal program. The evaluations required by the preceding sentence shall include—

"(1) an analysis of the recommendations made with respect to such programs by the President in the Budget submitted under section 201(a) of the Budget and Accounting Act, 1921, on January 15 of such odd-numbered year; and

"(2) where possible, a description of methods to improve efficiency and control costs in each such Federal program.".

(2) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 404 the following new item:

"Sec. 405. Report by the Comptroller General of the United States.".

(3) Section 904 of the Congressional Budget Act of 1974 is amended by inserting "(except section 405)" after "IV" each place it appears.

(r)(1) Section 605(a) of the Congressional Budget Act of 1974 is amended—

(A) by striking out "each year (beginning with 1975)" and inserting in lieu thereof "each even-numbered year (beginning with 1982)";

(B) by striking out "the ensuing fiscal year" and inserting in lieu thereof "the biennial fiscal period beginning in the succeeding even-numbered year"; and

(C) by striking out "such ensuing fiscal year" and inserting in lieu thereof "such period".

(2) Section 605 of such Act (as amended by paragraph (1) of this subsection) is further amended—

(A) by redesignating subsection (b) as subsection (c) and by (in such subsection) striking out "so submitted" and inserting in lieu thereof "submitted under subsections (a) and (b)"; and

(B) by inserting after subsection (a) the following new subsection:

"(b) On or before November 10 of each odd-numbered year (beginning with 1983), the President shall submit to the Senate and the House of Representatives such revisions in the estimated outlays and proposed budget authority for the biennial fiscal period beginning in the succeeding even-numbered year submitted pursuant to subsection (a) as he determines may be necessary.".

(s) Section 1012(a) of the Impoundment Control Act of 1974 is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "biennial fiscal period".

(t) The last sentence of section 1013(a) of such Act is amended by striking out "fiscal year" and inserting in lieu thereof "biennial fiscal period".

(u) Section 1014(e) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "biennial fiscal period".

(v) Clause 1(b)(4) of rule X of the Rules of the House of Representatives is amended by striking out "fiscal year" and inserting in lieu thereof "biennial fiscal period".

AMENDMENTS TO BUDGET AND ACCOUNTING ACT, 1921

SEC. 5. (a)(1) So much of section 201(a) of the Budget and Accounting Act, 1921 (31 U.S.C. 11(a)), as precedes paragraph (1) thereof is amended to read as follows:

"(a) The President shall transmit to the Congress, by January 15 of the first session of each Congress beginning with the Ninety-eighth Congress, the budget for the biennial fiscal period (as defined in section 3(6) of the Congressional Budget and Impoundment Control Act of 1974) beginning on October 1 of the succeeding calendar year. The budget transmitted under this subsection shall include the President's budget message, summary data and text, and supporting detail. The budget shall set forth in such form and detail as the President may determine—".

(2) Section 201(a)(5) of such Act is amended—

(A) by striking out "fiscal year and projections for the four fiscal years immediately following the ensuing fiscal year" and inserting in lieu thereof "biennial fiscal period and projections for the biennial fiscal period immediately following such biennial fiscal period";

(B) by striking out "each year" and inserting in lieu thereof "the second session of each Congress".

(3) Section 201(a)(6) of such Act is amended by striking out "fiscal year and projections for the four fiscal years immediately following the ensuing fiscal year" and inserting in lieu thereof "biennial fiscal period and projections for the biennial fiscal period immediately following such biennial fiscal period".

(4) Section 201(a)(9) of such Act is amended—

(A) by inserting "or the last completed biennial fiscal period, as the case may be" after "the last completed fiscal year";

(B) by inserting "or at the end of the biennial fiscal period in progress, as the case may be" after "fiscal year in progress"; and

(C) by striking out "ensuing fiscal year" and inserting in lieu thereof "ensuing biennial fiscal period".

(5) Section 201(a)(12) of such Act is amended—

(A) by striking out "fiscal year" in subparagraph (A) and inserting in lieu thereof "biennial fiscal period"; and

(B) by striking out "each of the four fiscal years, immediately following that ensuing fiscal year," in subparagraph (B) and inserting in lieu thereof "the biennial fiscal period immediately following such biennial fiscal period".

(6) Section 201(a)(13) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "biennial fiscal period".

(7) Section 201(a) of such Act is further amended by adding at the end thereof the following: "By January 15 of the second session of each Congress the President shall transmit to the Congress any revisions he may desire to make

in the budget transmitted in the first session of that Congress.".

(b) Section 201(b) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "biennial fiscal period".

(c) Section 201(c) of such Act is amended—

(1) by striking out "four fiscal years" in paragraph (1) and inserting in lieu thereof "biennial fiscal period";

(2) by striking out "ensuing fiscal year" in such paragraph and inserting in lieu thereof "ensuing biennial fiscal period";

(3) by striking out "fiscal years" in paragraph (2) and inserting in lieu thereof "the first biennial fiscal period"; and

(4) by striking out "ensuing fiscal year" each place it appears in such paragraph and inserting in lieu thereof "ensuing biennial fiscal period".

(d) Section 201(d) of such Act is amended by striking out "fiscal year" and inserting in lieu thereof "biennial fiscal period".

(e) Section 201(e) of such Act is amended—

(1) by striking out "each fiscal year" and inserting in lieu thereof "each biennial fiscal period"; and

(2) by striking out "such fiscal year" and inserting in lieu thereof "such period".

(f) Section 201(f) of such Act is amended—

(1) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "biennial fiscal period";

(2) by inserting "or the last completed biennial fiscal period, as the case may be" after "last completed fiscal year" in paragraph (1);

(3) by inserting "or such biennial fiscal period, as the case may be" after "such fiscal year" in such paragraph;

(4) by inserting "or the last completed biennial fiscal period, as the case may be," after "last completed fiscal year" in paragraph (2);

(5) by striking out "such year" each place it appears in such paragraph and inserting in lieu thereof "such fiscal year or such biennial fiscal period, as the case may be";

(6) by inserting "or such biennial fiscal period, as the case may be," after "such fiscal year" the first place it appears in paragraph (3); and

(7) by inserting "or such biennial fiscal period, as the case may be" before the period in such paragraph.

(g) Section 201(g) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "biennial fiscal period".

(h) Section 201(h) of such Act is amended by striking out "fiscal year" each place it appears and inserting in lieu thereof "biennial fiscal period".

(i) Section 201(i) of such Act is amended—

(1) by striking out "each fiscal year" and inserting in lieu thereof "each biennial fiscal period"; and

(2) by striking out "fiscal year ending September 30, 1979" and inserting in lieu thereof "biennial fiscal period beginning October 1, 1984".

CONVERSION TO BIENNIAL FISCAL PERIOD

SEC. 6. (a)(1) Section 237(a) of the Revised Statutes (31 U.S.C. 1020(a)) is amended to read as follows:

"(a) In all matters of accounts, receipts, expenditures, estimates, and appropriations—

"(1) there shall be, through September 30, 1984, a fiscal year of the United States commencing on October 1 of each year and ending on September 30 of the following year; and

"(2) there shall be, beginning on October 1, 1984, a biennial fiscal period of the United States beginning on October 1 of each even-numbered year and ending on September 30 of the following even-numbered year.".

(2) Section 237(b) of the Revised Statutes (31 U.S.C. 1020(b)) is amended by inserting "or each biennial fiscal period, as the case may be," after "fiscal year".

(b) Section 504 of the Congressional Budget Act of 1974 (31 U.S.C. 1020a) is amended—

(1) by striking out "or any fiscal year thereafter" and inserting in lieu thereof "through the fiscal year 1984"; and

(2) by adding at the end thereof: "Any law providing for an authorization of appropriations for the fiscal year 1985 or any fiscal year thereafter shall be construed as referring to the one-year period within a biennial fiscal period beginning on October 1 of the calendar year having the same calendar year number as the preceding fiscal year number and ending on September 30 of the calendar year having the same calendar year number as the fiscal year number.".

(c) Section 118(b)(2) of the Second Supplemental Appropriations Act, 1976 (31 U.S.C. 1020–1) is amended to read as follows:

"(2) Effective on the first day of the Ninety-eighth Congress, any provision of law relating to the Senate which contains an October 1 or September 30 date which is related to the beginning or end of a fiscal year shall be treated as referring to the beginning or end, as the case may be, of a one-year period within a biennial fiscal period, as established by section 237(a) of the Revised Statutes.".

(d)(1) Subsection (b)(1) of the first section of the Act entitled "An Act to simplify accounting, facilitate the payment of obligations, and for other purposes", approved July 25, 1956, as amended (31 U.S.C. 701), is amended—

(A) by striking out "and" at the end of subparagraph (A);

(B) by inserting "and ending before October 1, 1984," after "October 1, 1976," in paragraph (2);

(C) by striking out the period at the end of subparagraph (B) and inserting in lieu thereof a semicolon and "and"; and

(D) by adding at the end thereof the following new subparagraph:

"(C) for any biennial fiscal period commencing on or after October 1, 1984, on September 30 of the biennial fiscal period following that biennial fiscal period or the biennial fiscal period, as the case may be, for which the appropriation is available for obligation.".

(2) Subsection (b)(2) of such Act is amended—

(A) by striking out "and" at the end of subparagraph (A);

(B) by inserting "and ending before October 1, 1984," after "October 1, 1976," in subparagraph (B);

(C) by striking out the period at the end of subparagraph (B) and inserting in lieu thereof a semicolon and "and"; and

(D) by adding at the end thereof the following:

"(C) for any biennial fiscal period commencing on or after October 1, 1984, not later than November 15 following the end of such biennial fiscal period, in which the period of availability for obligation expires.".

(e)(1) Section 105 of title 1, United States Code, is amended by striking out "year ending" and inserting in lieu thereof "biennial fiscal period ending".

(2) The provisions of paragraph (1) of this subsection shall be effective with respect to Acts making appropriations for the support of the Government for any biennial fiscal period commencing on or after October 1, 1984.

(f) As soon as practicable, the President shall prepare and transmit to the Congress proposed legislation he considers appropriate with respect to changes in law necessary to provide authorizations of appropriations for the biennial fiscal period beginning on October 1, 1984, and succeeding biennial fiscal periods.

(g) The Director of the Office of Management and Budget shall provide by regulation, order, or otherwise for the orderly transition by all departments, agencies, and instrumentalities of the United States Government and the government of the District of Columbia from the use of the fiscal year in effect on the date of enactment of this Act to the use of the new biennial fiscal period prescribed by section 237(a)(2) of the Revised Statutes. The Director shall prepare and submit to the Congress such additional proposed legislation as he considers necessary to accomplish this objective.

EFFECTIVE DATE

SEC. 7. The provisions of this Act and the amendments made by this Act shall take effect on the first day of the Ninety-eighth Congress, except that the amendments made by section 4(r) of this Act shall take effect on November 9, 1982.

FISCAL YEAR 1984

SEC. 8. (a) Notwithstanding the provisions of sections 3, 4, 5, and 6 of this Act and the amendments made by such sections, the President shall submit to the Congress a budget for fiscal year 1984, and the estimates of outlays and proposed budget authority that would have been required under section 605 of the Congressional Budget Act of 1974 (as such section was in effect on November 8, 1982). The provisions of section 201(a) of the Budget and Accounting Act, 1921 (as such provisions were in effect on the day before the effective date of this Act) shall apply to the submission by the

President of the budget for fiscal year 1984. The provisions of section 605 of the Congressional Budget Act of 1974 (as such provisions were in effect on November 8, 1982) shall apply with respect to the submission of such estimates by the President.

(b) Notwithstanding the provisions of sections 3, 4, 5, and 6 of this Act and the amendments made by such sections, the Congress shall complete action on the concurrent resolutions on the budget that would have been required for fiscal year 1984 under the provisions of the Congressional Budget Act of 1974 as such provisions were in effect on the day before the effective date of this Act. The provisions of the Congressional Budget and Impoundment Control Act of 1974 (as such provisions were in effect on the day before the date of enactment of this Act) shall apply with respect to concurrent resolutions on the budget for fiscal year 1984, bills and resolutions providing new budget authority or new spending authority for fiscal year 1984, and bills and resolutions authorizing the enactment of new budget authority for fiscal year 1984.

○

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Alan Beals

August 9, 1982

The Honorable Wendell H. Ford
United States Senate
363 Russell Senate Office
Building
Washington, DC 20510

The Honorable Dan Quayle
United States Senate
254 Russell Senate Office
Building
Washington, DC 20510

Dear Senators Ford and Quayle:

I regret not being able to attend the breakfast meeting July 22 on your proposal for a two-year budget process. I promised your staff, however, that I would submit some written comments to you on the proposal.

A two-year process would have three important benefits. *First*, it would promote more efficient planning and expenditure of funds by program recipients through the use of multi-year appropriations. *Second*, it would afford more time for badly-needed and systematic congressional oversight. And *third*, it would require program authorizations to be enacted prior to action on appropriations bills.

It would, however, have one major disadvantage: instead of reducing the current dominance of the budget process over the entire legislative process, it would expand that dominance substantially, greatly exacerbating Congress's many frustrations with the process. In my view, the process must be reformed, but precisely in the opposite direction.

The most important defect in the current process is that it simply take up too much of each session, dominating the congressional calendar to the detriment of the appropriating and legislating committees and without clear benefits to itself. The fact is that budget resolutions take too long to adopt. The first resolution takes up more than a third of the typical congressional year; yet before its adoption (on May 15 or, as is ordinarily the case, a week or two later), Congress cannot act on appropriations or other spending legislation (both, as well as tax measures, must await adoption of the first resolution targets and reconciliation directions, which are now annual features of the resolutions.)

Past Presidents: **Tom Bradley**, Mayor, Los Angeles, California • **Henry W. Maier**, Mayor, Milwaukee, Wisconsin • **Tom Moody**, Mayor, Columbus, Ohio • **Jessie M. Rattley**, Councilwoman, Newport News, Virginia • **John P. Rousakis**, Mayor, Savannah, Georgia • ***Directors:*** **Richard Arrington, Jr.**, Mayor, Birmingham, Alabama • **Carol Bellamy**, Council President, New York, New York • **Arne Boyum**, Executive Director, North Dakota League of Cities • **Richard S. Caliguiri**, Mayor, Pittsburgh, Pennsylvania • **Malcolm Clark**, Council Member, Port Arthur, Texas • **Joanne Collins**, Council Member, Kansas City, Missouri • **Thomas H. Cooke, Jr.**, Mayor, East Orange, New Jersey • **David Cunningham**, Council Member, Los Angeles, California • **W. Elmer George**, Executive Director, Georgia Municipal Association • **Karen M. Graves**, Commissioner, Salina, Kansas • **Anne Gresham**, Council Member, Grand Prairie, Texas • **Paul E. Haney**, Council Member, Rochester, New York • **Jonathan B. Howes**, Mayor Pro Tem, Chapel Hill, North Carolina • **George M. Israel, III**, Mayor, Macon, Georgia • **Myra Jones**, Vice Mayor, Little Rock, Arkansas • **Christopher G. Lockwood**, Executive Director, Maine Municipal Association • **Bob Martinez**, Mayor, Tampa, Florida • **Robert H. Miller**, Executive Director, South Dakota Municipal League • **Jack Nelson**, Mayor, Beaverton, Oregon • **Mary Neuhauser**, Council Member, Iowa City, Iowa • **C. David Nuessen**, Mayor, Quincy, Illinois • **Hernan Padilla**, Mayor, San Juan, Puerto Rico • **Donald R. Peeples**, Chief Executive, Butte, Montana • **Martin L. Peterson**, Executive Director, Association of Idaho Cities • **Michael J. Quinn**, Executive Director, Indiana Association of Cities and Towns • **Vernon H. Ricks, Jr.**, Mayor Pro Tem, Takoma Park, Maryland • **Arthur E. Trujillo**, Mayor, Santa Fe, New Mexico • **George V. Voinovich**, Mayor, Cleveland, Ohio • **Daniel K. Whitehurst**, Mayor, Fresno, California • **Don A. Zimmerman**, Executive Director, Arkansas Municipal League

Second resolutions take up further time; yet they most often merely ratify past decisions and update various economic, revenue, and spending estimates, rather than propose substantive decisions.

A two-year process, as envisioned in your proposal, would add a new set of problems.

(1) Adoption of the first resolution would be largely meaningless. By the second session, the basic economic, revenue, and spending estimates would be likely to change, requiring an entire new set of estimates on which to base the second resolution. In practical terms, it would mean that the second budget resolution would become dominant, not only setting targets, but the ceiling and floor as well.

(2) Yet despite the new estimates that are bound to be submitted by the President early in the second session, spending bills would have to be reported by House committees on March 31 and Senate committees on April 15. These spending decisions would be made without the benefit of revised analyses and views by the committees and without revision of the first budget resolution by the Budget Committees and the Congress.

(3) The second resolution would have to be reported on June 15, the same day that spending bills must be agreed to. Thus, the overall spending ceiling would be set simultaneously with final action on spending bills. If adoption of the resolution had come earlier, Congress could have acted to comply with the ceiling; if later, the ceiling would have been formulated to accommodate the spending actions (if those actions were in substantial compliance). Requiring simultaneous action achieves neither and is likely to result in further action during the reconciliation process.

(4) Past experience with reconciliation shows that there are problems; but I doubt that they can be solved by placing it at the end of the process, as is proposed. It is unrealistic to expect Congress to take action to restrain entitlement spending, for example, during the three-month period from June 15 to September 25 if it has not done so (and has not been required to do so) from the initial submission of the President"s budget through June 15. In fact,

the reconciliation process should be part of the first budget resolution under a new timetable (suggested in the attached paper).

Finally, let me add that the benefits of a two-year process suggested at the outset can be achieved in other ways: Congress can require enactment of authorizations for a multi-year period and prior to appropriations actions; appropriations can be provided on a multi-year basis within the context of the current budget process; and congressional oversight of programs can be achieved through some version of sunset legislation and compliance with existing rules set in legislative reorganization acts.

Early this year I made recommendations for changes in the budget process to the Committee for a Responsible Federal Budget. I attach a copy of my paper for your use; it spells out some recommendations for revision of the timetable, ending (to a great extent) the problem of continuing funding resolutions, and alleviating the problem of widely differing budget estimates by various key actors in the budget process.

Thank you for the opportunity to give you my views on this critical problem. Please let me know if I can provide you with any further assistance.

Sincerely,

George Gross

George Gross
Director of Federal Relations

Enclosure

The Congressional Budget Process: Review, Assessment, and Suggestions for Change

by
George Gross, Director, National League of Cities,
Office of Federal Relations; Executive Director,
House Budget Committee, 1975 - 1978
January 12, 1981

In 1981 Congress completed its seventh year of budget decision-making under the new congressional budget process it embarked upon in 1975. Although changes in the process have been proposed nearly each year since its inception, the landmark budget battles of 1981 have greatly improved the prospects for real change this year. This paper will suggest several changes that I believe would strengthen the process at what many consider to be the most controversial period in its life.

Before doing so, however, I would like to review the origins of today's budget process and, in a general way, assess its strengths and weaknesses. Hopefully, such a review and assessment will help to focus debate on the kinds of changes that will, in fact, strengthen the process of budget decision-making, and not either transform it into a tool for achieving certain budget goals or consign it to a mere scorekeeping role.

The Budget Process: A Brief Review

The story of budget reform--leading to the Congressional Budget and Impoundment Control Act of 1974--is a familiar one. The place to start is in 1972, when a remarkable and far-reaching incident occurred.

Congress was in its annual throes of raising the limit on the public debt. In the process of doing so, the House approved President Nixon's request to impose a $250 billion limit on spending, with full discretion to make whatever spending cuts he felt were needed. The Senate disagreed; although it approved the ceiling, it provided that proportional cuts had to be made, with no single program allowed to be cut by more than 10 percent.

House and Senate Conferees could not agree on this issue. They finally passed the debt ceiling bill and the spending limit asked for by the President. However, the new law provided that the spending ceiling would cease to have effect one day after it was signed by the President!

The same law provided for a joint House-Senate Committee on Budget Reform, a direct result of the confrontation over the spending ceiling and the President's constant attacks on Congress' antiquated and ineffective budget process. Shortly thereafter, the President began the huge impoundments of appropriated funds that, in large part, convinced the Congress that if the impoundments were to be stopped without a constitutional confrontation, its own budget procedures had to be revamped.

What was (and to a certain extent still is) wrong with those procedures? Many things:

First, Congress' tax and spending powers were completely separated, so that whether a surplus or deficit resulted was purely accidental. The tax and appropriation Committees not only failed to cooperate; they were, in fact, the two great rivals for congressional power, the antagonists in the 1972 spending ceiling battle.

Second, Congress never actually determined the total amount of spending it wanted. Thirteen appropriations bills and dozens of other spending bills were considered separately. No one ever added them up, let alone decided at the outset what the total should be.

Third, Congress never determined the precise amount of spending it wanted for a particular program or activity; rather, it dealt with the authority to spend. That is, it generally provided an appropriation, the legal authority to spend, but in no way controlled outlays, the actual amount of money that would be spent. In fact, nearly all congressional budget decisions concentrated on budget or spending authority; outlays were seldom, if ever, mentioned at all.

Fourth, Congress had no mechanism to decide among competing budget priorities. Since spending bills were considered separately, there was no way to decide between the shares of the budget that should go to defense, health, education, and so forth, and thus to make the trade-offs that would normally be part of any budget process.

And fifth, too much spending escaped the discipline of the appropriations process. As entitlements and other forms of backdoor spending (that is, spending that took place without prior appropriations committee review and decision) grew, the principal mechanism for spending control was becoming increasingly weaker.

And, of course, there was the problem of impoundments. While the Joint Study Committee on Budget Control was developing a new budget system, the President was impounding billions of dollars of appropriated funds (for highways, housing, waste treatment, and so forth). Each impoundment directly challenged Congress' traditional power of the purse.

Finally, the Congress joined anti-impoundment legislation with the legislation establishing the new budget process, neither of which could have been enacted alone. The new law was approved by President Nixon in July, 1974. It was, in every sense, a compact between the two branches of government. The President agreed to subject his impoundments of appropriated funds to congressional review; in return, Congress instituted a new and improved budget system.

The changes brought about by the 1974 act, while not perfect, represent a giant step forward.

The new process makes fundamental changes in Congress' handling of the budget, even though most of its traditional budgeting techniques are left intact. Congressional committees still authorize and appropriate funds and they still enact entitlement and other forms of spending legislation. But these traditional actions now are taken in a comprehensive and orderly context (in full view of all) that is a vast improvement over the past.

The Budget Act makes four important changes in the old system; First, it combines in the budget committees the responsibility for setting overall tax and spending levels and, through them, economic and budget priorities. This is done through the adoption of two concurrent resolutions on the budget: the first by May 15, the second by September 15.

The first resolution sets overall targets for total revenues, budget authority, outlays, deficit/surplus, and the national debt; and specific targets for each of 20 functional categories of the budget (defense, health, income sesurity, and so forth). Before these targets are set, it is not in order for either the House or the Senate to consider any revenue or spending bill for the coming fiscal year. The purpose of this prohibition, of course, is to make sure that overall tax and spending levels and priorities are set first, with specific legislation to be acted upon only when the overall budget strategy is agreed to.

These targets are not binding on any specific tax or spending bill or appropriation. But they are persuasive, and the targets are generally adhered to (no one likes to go to the floor of the House and Senate and say his committee is breaking Congress' targets). In fact, they tend to operate as ceilings and more and more rules are being framed to make them serve as ceilings.

Between mid-May and Labor Day, all tax and spending bills are expected to be approved by the Congress, with the budget committees acting as watchdogs to assure compliance with the targets. Of course, not all are passed in time; since disputes still arise that make it impossible to adopt some appropriation bills, continuing resolutions remain a serious problem.

In September, after a second look at the economy, at the many specific revenue and spending decisions made during the summer months, and at revised tax and spending estimates, the second budget resolution is passed. Although it is in the same form as the first, there is one major difference: The second resolution sets ceilings on the totals--total budget authority, total outlays, and the national debt--and a floor under revenues.

What is meant by these spending ceilings and revenue floor? It does not mean that actual spending cannot exceed the ceiling or that revenues cannot be lower than the revenue floor (a recession, for example, would result in higher spending and lower revenues without any further action by the Congress). What it means is that once the second resolution is adopted, Congress may not consider any bill that would result (in the opinion of the budget committees) in exceeding the spending ceilings or in lowering revenues below the revenue floor. In other words, the second resolution acts as a constraint on the Congress: since a point of order can be raised against any bill that would result in a breach of the spending ceilings or revenue floor, it keeps itself from violating its own budget.

It must be stressed that no spending ceiling is set for or applied to any specific program. During the course of a fiscal year, outlays (that is, actual spending) fluctuate greatly, with some programs experiencing faster and some slower spending than anticipated. If, for example, unemployment rises substantially during the year, unemployment compensation payments will be higher than anticipated. Those payments will be made even if spending exceeds the budget resolution ceiling; but if Congress then wants to enact another spending program, it will be barred from doing so because its enactment would result in a violation of the spending ceiling. The only recourse would be to raise the ceiling first through a revised budget resolution.

Second, the Budget Act has brought backdoor spending under control. Two important forms of backdoor spending--contract and borrowing authority--were prohibited completely in early 1975. Now such authorities operate as mere authorizations, with subsequent appropriations bills determining the specific amount of contract or borrowing authority to be available to agencies. In addition, new entitlements are subjected to appropriations committee review and reduction if they exceed the amounts allocated for them in the first budget resolution.

Third, the Budget Act has helped, but obviously not succeeded, in putting an end to continuing resolutions, necessitated by the failure to enact appropriations bills by the beginning of the fiscal year. Three provisions are important here: first, authorization bills must be reported by May 15; second, all appropriations and other spending bills must be enacted by the 7th day after Labor Day; and third, the fiscal year now begins on October 1 to give the Congress more time to enact necessary authorization and appropriation bills.

The May 15 reporting deadline is very important in this respect. All authorizations for programs for which appropriations are needed for the fiscal year beginning October 1 must be reported by May 15. If they are not, an emergency waiver must be granted by the Rules Committee in the House and the Budget Committee in the Senate. In general, essential programs get waivers, non-essential ones do not.

And fourth, the Budget Act has established a reasonably satisfactory system for dealing with impoundments. The Act sanctions two kinds of impoundments: deferrals and rescissions.

> Deferrals - The President simply asks the Congress to permit him to postpone or delay spending for a particular activity. The funds are withheld immediately; if, however, either the House or Senate votes by a simple majority to disapprove the deferral, the funds must be spent.
>
> Rescissions - The President says he won't spend the money at all, or won't spend part of it. In this case, he is asking Congress to rescind or take back his authority to spend (that is, to change the law that gave him the legal authority to spend). He withholds the funds immediately upon sending a rescission message to Congress. If within 45 days the Congress fails to pass a bill changing the law (and thus approving the rescission), the President must spend the money.

The impoundment provisions have worked extremely well. During the Ford years (the first two years of the law), there were several major fights over rescissions. Most impoundments, however, then and during the Carter years, were basically routine, with an overwhelming portion approved by the Congress. In 1981, President Reagan was very successful with his rescission and deferral requests.

Reconciliation - I have left for separate treatment the reconciliation process that played such a large part in the budget battles of 1981 and that produced so much legislative chaos and bitterness, often directed at the budget process itself. What is reconciliation?

As contemplated by the Budget Act, it was to be a relatively simple and brief exercise. If, for example, in September the Congress decided that somewhat more or less spending, or higher or lower revenues, were needed to effectuate its economic policy, the second budget resolution could direct appropriate committees to report legislation to achieve those objectives. The tax committees could be ordered to raise or lower taxes; the appropriations committees to raise or lower spending. Legislation reported by these committees was to be passed in the same manner as any other tax and spending measures.

That such reconciliation measures--that is, measures intended to reconcile actual spending and/or taxes to the amounts specified in the second budget resolution--were to be relatively minor in nature is evident from the timetable in the Budget Act: reconciliation measures were to be passed by September 25, just 10 days after adoption of the second budget resolution. Clearly, the framers of the Act did not expect the Congress to adopt major tax and revenue actions in such a brief period.

In 1980, however, both the House and Senate Budget Committees, having determined that the FY 1981 budget should be balanced, included reconciliation directions in the first budget resolution. The amounts were relatively small, about $11 billion in tax increases and spending reductions. The purpose of this change was to insure that, in acting pursuant to the revenue and spending targets in the first budget resolution, affected committees would comply with the will of both Houses to achieve the tax increases and spending cuts needed to help balance the budget.

Although the 1980 reconciliation process was much resented, particularly in the House, its success cannot be denied. After nearly a year of legislative action by affected committees, $4.2 billion in new revenues were raised and $6.2 billion in spending reductions achieved.

The 1981 reconciliation process differed in key respects: first, of course, much larger amounts were involved (about $35 billion in spending reductions); second, three fiscal years were involved, FY's 1982 through 1984; third, a timetable for rapid action was agreed upon, requiring committees to report their reconciliation bills by June 12, shortly after adoption of the first budget resolution, with full House and Senate action and conferences to be completed by July 15; and fourth, separate instructions were given to committees, one for entitlement programs and one for programs governed by traditional authorization levels.

This last change was the critical one, resulting in criticism from both the authorizing and appropriating committees. The former felt that their flexibility to make cuts among the programs under their jurisdiction had been sharply curtailed; the latter that their record of prudent and responsible budgeting had been ignored by the directions to reduce authorizations.

The reconciliation measures considered by the two Houses were among the largest and most complex bills ever, with few members even generally informed on more than a small portion of the bills. The major battle occurred in the House when a recommittal motion completely rewriting, in accordance with the President's recommendations, the bills reported by House committees was passed by a slim margin. Understandably, many members believed that, under the aegis of the budget process, one of the most far-reaching bills in history had been passed without any reasonable semblance of careful committee consideration.

An omnibus reconciliation act was finally signed into law by the President in late July. The frustration and bitterness over the new procedures is now widespread, and, in my view, make certain changes in the process both desirable and inevitable.

The Budget Process: An Assessment

Any assessment of the success of the congressional budget process must deal separately with its procedural and substantive goals. Procedurally, I think there is little doubt that the process has achieved the objectives of its framers; substantively, there may be considerable doubt.

The process's procedural goals have clearly been attained:

First, as a result of the creation of two budget committees and the Congressional Budget Office, Congress is now in a strong position vis-a-vis the Executive Branch with respect to budget matters. Congressional budget expertise is a fact, so much so that Congress' estimates of revenues and spending command nearly as much, and often more, authority than those of the Office of Management and Budget.

Second, Congress not only has budget expertise, it has a consistent and rational process for developing its own budget, monitoring compliance with it, and enforcing the revenue floors and spending ceilings its sets. In fact, the various procedural steps mandated by the process now serve to set Congress' overall legislative timetable as well.

And third, Congress, through its new process, is able to focus attention and require action not only in such areas as entitlements and tax expenditures, but in out-year budgets as well. The reconciliation act of 1980 involved both tax expenditures and entitlements; the 1981 act involved entitlements and spending levels for Fiscal Years 1983 and 1984, as well as the budget year.

In short, the new process has given Congress virtually all of the tools it needs to develop, police, and enforce its budgets, both for the budget year and future years as well. It is not difficult to understand why many Members of Congress fear the emergence of all-powerful budget committees, gradually usurping the traditional prerogatives of other committees.

This view is often reinforced on the substantive side of the ledger. Budget resolutions are hard fought, because Members recognize that the program assumptions they contain will make a difference in the actual spending provided for the particular program involved. The revenue and spending targets set in resolutions are generally adhered to because few are willing to bring bills in violation of those targets to the House and Senate floors. And neither a revenue floor nor spending ceiling has been breached in the first seven years of the process. Although it can never be conclusively demonstrated that tax and spending levels would have been substantially different without the new process, the sharp conflict over budget targets, particularly in the House, combined with general adherence to them, make it likely that the process does indeed make a difference.

Why, then, is there so much discontent over the substantive results of the new process? The discontent arises, I believe, from two sources: first, the conflicting expectations as to what--in terms of fiscal results--the new process was intended to achieve; and second, the widespread belief that federal budget policy could produce major economic changes - in terms of spurring economic growth and reducing unemployment and inflation.

The Budget Act was passed by overwhelming majorities in the Congress. Its supporters included those who wanted a balanced budget and those who did not; those who wanted higher defense spending and those who did not; and those who wanted higher spending for social programs and those who regarded such spending as the principal cause of the Nation's economic ills. All shades of political opinion supported the new process.

The Act, however, was perfectly neutral: neither a balanced budget nor a deficit was sanctioned; and no preference was given to defense or domestic spending. It provided only for a neutral budget process, one that permits the Congress to make annually the budget decisions that a majority deems desirable.

Thus, the fact that the budget for any particular year is balanced or not, provides adequate defense or social spending or not, cannot fairly be considered the fault of the budget processs. Congress has the tools it needs to achieve its goals over time, but the goals must be those of its current Members, not those of some members in 1974. One need only to look at the declaration of purposes section of the Act to learn that a process for budget decision-making was being established, and not a process for attaining any particular budget result.

Supporters of the Budget Act also held the view that federal budget policy could produce major changes in the Nation's economy, in terms of stimulating economic growth and reducing unemployment and inflation. In this respect, I believe nearly all have been disappointed.

During the process' first seven years, budget resolutions, more often than not, have been adjusted to economic changes rather than produced them. The process can claim few clear victories in stimulating or restraining economic growth, or reducing unemployment and inflation. In fact, much of the problem surrounding the adoption of second budget resolutions involves the often higher spending estimates (and thus higher deficits) resulting from changed economic assumptions.

There are, I think, good reasons why this is so. First and foremost is the sheer size of the Nation's economy relative to the Federal Government's tax and spending effort. During the past several years, that effort has ranged from 19 to 23 percent of gross national product. Since only small changes in tax and spending levels are made annually, the likelihood of producing major changes in the economy is bound to be miniscule.

A second reason is the complexity of the economy itself. Surely no one would maintain that federal tax and spending policy alone is responsible for economic performance. The Federal Reserve Board's monetary policy plays a critical role, as do the economic performance of other industrialized nations, the rise and fall of sectoral economies, the activities of state and local governments, and the productivity of our work force.

This is not to say that tax and spending policy can have no effect. It must be recognized, however, that the economic policies implicit in budget resolutions can have only marginal impacts, and to that extent many in Congress will continue to be greatly disappointed.

Despite this shortcoming, I think it can be fairly said that the process has achieved its most important goal: the institution of an orderly system for developing tax and spending policies and for making choices between various national priorities. The process remains strong even after the bitterness and divisiveness of the budget battles of 1981.

Suggestions for Change

Why, then, are changes needed? Why not permit the process to continue its development along the lines pursued in the past?

The reason is that the budget process is now beginning to dominate the congressional calendar without clear benefit to itself and with detriment to the rights and responsibilities of the authorizing and appropriating committees. The result is inconsistent with a principal objective of the framers of the Budget Act; namely, to create a budget process that works in tandem with existing committees, relying on them to fashion the details of tax and spending policy in accordance with budget resolutions.

The fact is that budget resolutions simply take too long to adopt. The first resolution takes more than a third of the typical congressional year. Yet before its adoption (on May 15 or, as is ordinarily the case, a week or two later), Congress cannot act on appropriations, nor other spending legislation. Both must await adoption of the first budget resolution targets and reconciliation directions (which are likely to become an annual feature of such resolutions) so that their bills will be consistent with those targets.

Further time and effort must be spent on the second budget resolution, even though little of a substantive nature is likely to be proposed. This resolution most often merely ratifies the tax and spending actions that have already been taken and updates the various budget estimates as a result of new economic and other assumptions. Members quite rightly feel that they are voting merely for a scorekeeping measure devoid of policy content.

The result is that about half of the congressional year is taken up with two budget resolutions, one of which rarely deals with policy matters. Particularly in the early part of the year, authorizing and appropriating committees are restrained from proceeding with legislation, wasting valuable time and causing serious delays in the traditional process of authorizations and appropriations activity. Finally, the length of the process is exacerbating the problem of timely action on appropriations bills, producing a new era of continuing resolutions, stopgap measures to keep various executive agencies operating in the absence of enacted appropriations.

I think two changes would help greatly to alleviate these problems:

First, the budget timetable should be changed to require adoption of the first budget resolution by March 15, rather than by May 15; and

Second, there should be no formal action on the second budget resolution unless, in the opinion of the two budget committees, such action is required for important economic policy reasons.

A change in the adoption date of the first resolution would have important benefits. For authorizing and appropriating committees, meaningful work on legislation would begin two months earlier than is now the case. For both, it would mean adequate time to consider authorization and appropriations legislation pursuant to the first resolution targets. This added time would be particularly beneficial for authorizating committees, since they could deal with needed authorization levels for programs under their jurisdiction with the benefit of reconciliation directions known at the outset. Under existing procedures, these committees are required to report program authorizations _by_ May 15; yet they are not informed of their reconciliation directions until the first resolution is adopted, often after that date.

The restricted time for adoption of the first resolution would also benefit the two budget committees and the overall budget process. The shorter time would help to reduce the excessive "line iteming" that now characterizes these resolutions. It would enable the committees to focus debate on economic policy and the setting of broad national priorities, matters which all Members of Congress regard as their proper responsibilities. The current longer period for adoption of the first resolution tends to diffuse debate on economic and budget priorities, without commensurate gains, while permitting a sharp increase in the "line iteming" process.

Only one additional change in the budget timetable is needed to accompany this recommendation. Under existing law, House and Senate Committees report their views and recommendations on the President's budget to the budget committees by March 15; this date should be changed to February 15. Since the budget ordinarily is submitted during the third week of January, committees would still have a two-to-three-week period for submitting their reports, in my opinion an adequate time.

With respect to the second budget resolution, a completely new procedure should be developed, as follows. The general rule should be that a second resolution would be acted on by the Congress only if, in the view of the two budget committees, a substantive change in economic policy is required. They would signal that need by filing reports with their respective Houses on September 1 of each year.

If such reports are not filed, then the revenue floor and spending ceilings would be set by the budget committees on September 15 through submission of agreed-upon figures to the two Houses. The figures would be those contained in the first budget resolution, updated to reflect current House and Senate actions on tax and spending bills and current estimates of taxes and spending resulting from changed economic and other assumptions. No substantive changes in the first resolution would be made; the new figures would be merely technical updates of the first resolution targets.

An additional change ought to be considered as well. In order to promote more expeditious action on appropriations bills, Congress ought to consider special treatment in the second budget resolution spending ceilings for appropriations bills that have not cleared House-Senate conferences by mid-September. One technique would be to assume an arbitrarily low spending level--for example, the lower of the current fiscal year levels or the President's recommendations--in setting the spending ceilings for any bill that has not cleared congressional action. Of course, such bills could be considered subsequent to the setting of the spending ceilings in mid-September, but they would then have to run the risk of violating the ceilings.

These changes in the first and second budget resolution procedures would have important benefits. If adopted, they would reverse the current trend of budget dominance of the congressional calendar; afford authorizing and appropriating committees a more adequate time to legislate pursuant to budget targets; and make it unnecessary to use valuable time in the closing months of each session to adopt a resolution that, most often, has no substantive impact. Although modest in scope, these changes would result in a badly-needed streamlining of the budget process.

Two additional suggestions, both of which can be implemented by the budget committees with no change in existing law, should be considered. They deal with the treatment of tax expenditures and the problem of differing budget estimates.

Tax Expenditures. One of the recurring complaints about the budget process is that budget control focuses too heavily on the spending side of the budget, with little or no control over one of the fastest growing causes of deficits, the expansion of tax expenditures. I think it is now essential that the budget process direct more attention to this area, for it is clear that only a comprehensive attack on both revenues *and* spending can bring the budget under control.

Although there are substantial problems over the definition and computation of tax expenditures, Allan Schick, formerly of the Library of Congress, has made what I regard as an excellent suggestion for their treatment in budget resolutions. He urges that resolutions include a limitation on annual changes in tax expenditures, rather than on the total of such expenditures. This change would focus congressional and public attention on a long-neglected source of federal spending, enabling Congress to evaluate the desirability of spending through the tax structure in the same manner that it evaluates direct spending proposals.

Budget Estimates. The recent battle over the continuing funding resolution was marked by sharp differences between the House, the Senate, and the Executive Branch over the amount of spending contained in the resolution. When the battle ended, with a Presidential veto, I doubt that more than a handful of Members of Congress could have accurately described the dollar differences involved. The public understanding of the differences between the Congress and the President must have been slim indeed.

To a certain extent, it is unlikely that the Congress and the President can ever fully agree on all budget numbers. The President, for example, will invariably consider his budget for the food stamp program assuming adoption of his proposed reforms; the appropriations committees, in turn, will consider the budget for food stamps assuming the existing law, rather than the President's or other reform proposals. In addition, the two branches will often differ on the economic assumptions that so significantly affect revenue and spending levels.

Some steps need to be taken, however, to alleviate the problem of differing budget estimates. I suggest that the Budget Committee Chairmen take the lead in this area by establishing a "users group" to reduce conflict over budget estimates.

This group should consist of representatives of the major institutions that utilize budget estimates - the House and Senate budget and appropriations committees, the Congressional Budget Office, and the Office of Management and Budget. The group should meet monthly with the task of reaching agreements on as many budget estimates as possible, thus removing these numbers from political confrontation. Where agreement cannot be reached, the group would be responsible for reporting that fact so that the differences could be isolated and clearly explained to all. Over time, hopefully, substantial agreement could be reached, and conflict reduced, on the bulk of budget estimates.

97TH CONGRESS
2D SESSION

S. 2921

To amend the Congressional Budget and Impoundment Control Act of 1974 to reform the congressional budget process, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 16 (legislative day, SEPTEMBER 8), 1982

Mr. CHILES introduced the following bill; which was read twice and referred jointly, pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs with instructions that if one committee reports, the other committee has thirty days of continuous session to report or be discharged

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A BILL

To amend the Congressional Budget and Impoundment Control Act of 1974 to reform the congressional budget process, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Balanced Budget Enforcement Act of 1982".

GENERAL PROVISIONS

SEC. 2. (a) Subsection (a) of the first section of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "and" before "title X" and by inserting before the period a comma and "and title XI may be cited as the 'Regulatory Budget Act of 1982' ".

(b) Section 2 of such Act is amended—

(1) by striking out "and" after the semicolon in paragraph (4);

(2) by redesignating paragraph (5) as paragraph (7); and

(3) by inserting after paragraph (4) the following new paragraphs:

"(5) to achieve a balanced Federal budget under most economic circumstances;

"(6) to provide for the congressional determination each year of the appropriate level of gross obligations for the principal amount of direct loans and the appropriate level of commitments to guarantee loan principal; and".

(c)(1) Section 3 of such Act is amended—

(A) by inserting a semicolon and "DETERMINATION OF ESTIMATES" at the end of the section heading;

(B) by inserting "(a) DEFINITIONS.—" before "For purposes";

(C) by inserting "and" after the semicolon in subparagraph (A) of paragraph (4);

(D) by striking out subparagraph (B) of such paragraph;

(E) by redesignating subparagraph (C) of such paragraph as subparagraph (B), and (in such subparagraph) by striking out "any other" and inserting in lieu thereof "a"; and

(F) by adding at the end thereof the following:

"(6) The term 'direct loan' means a disbursement of funds by the United States or any officer or agency thereof (not in exchange for goods or services) under a contract which requires the repayment of such funds with or without interest, and in addition includes—

"(A) direct participation in a loan made and held by another person or government;

"(B) the purchase (through secondary market operations) of a loan made by another person or government; and

"(C) the acquisition of a federally guaranteed loan made by another person or government, as collateral or in satisfaction of default or other guarantee claims.

"(7) The term 'current law budget authority' means the total amount of budget authority which would be necessary to carry out programs and activities during a fiscal year at the same level as such programs and activities were carried out in the preceding fiscal year without any policy changes in such programs and activities.

"(8) The term 'current law outlays' means the total amount of outlays which would be made to carry out programs and activities during a fiscal year at the same level as such programs and activities were carried out in the preceding fiscal year without any policy changes in such programs and activities.

"(9) The term 'current law spending authority' means the total amount of spending authority described in section 401(c)(2)(C) which would be effective in a fiscal year to carry out programs and activities during that fiscal year at the same level as such programs and activities were carried out during the preceding fiscal year without any policy changes in such programs and activities.

"(10) The term 'current law revenues' means the total amount of revenues that would be received in a fiscal year if the provisions of the revenue laws which were in effect for the fiscal year preceding such fiscal year remained in effect for such fiscal year without change.

"(b) DETERMINATION OF ESTIMATES.—In determining current law budget authority, current law outlays, and current law spending authority for a fiscal year, the Director of the Congressional Budget Office or the Committees on the Budget of the Senate and the House of Representatives, as the case may be, shall—

"(1) only include adjustments for additional costs, workloads, or utilizations if such adjustments are provided for by statute and if the budget authority and spending authority described in section 401(c)(2)(C) for such costs, workloads, or utilizations are provided by statute at the time the Director makes such determinations; and

"(2) assume, for any program or activity for which a law has been enacted authorizing the enactment of new budget authority for the fiscal year prior to the fiscal year for which the Director is making such determinations, but for which a law has not been enacted (at the time of making such determinations) authorizing the enactment of new budget authority for such fiscal year, that a law will be enacted authorizing the enactment of new budget authority for such program or activity for such fiscal year in an amount equal to the amount authorized for the fiscal year prior to such fiscal year unless the law authorizing the enactment of new budget authority for the program or activity for such prior fiscal year indicates that the reauthorization of such program or activity was not intended by the Congress.".

(2) The item relating to section 3 in the table of contents in subsection (b) of the first section of such Act is amended by inserting before the period a semicolon and "determination of estimates".

(d)(1) Section 202(a) of the Congressional Budget Act of 1974 is amended by striking out "and (3)" and inserting in lieu thereof the following: "(3) information with respect to direct loans and guarantees of loan principal, (4) estimates of the gross national product for a fiscal year, (5) estimates of the ratio that current law outlays for a fiscal year bear to the gross national product for such fiscal year (stated as a percentage), (6) estimates of the ratio that current law revenues for a fiscal year bear to the gross national product for such fiscal year (stated as a percentage), and (7)".

(2) Section 202(f) of such Act is amended—

(A) by striking out "April 1" in paragraph (1) and inserting in lieu thereof "March 1";

(B) by inserting "the fiscal year in progress," before "the fiscal year commencing" in such paragraph;

(C) by inserting "and the succeeding four fiscal years," after "October 1 of that year," in such paragraph;

(D) by striking out "and (B)" in such paragraph and inserting in lieu thereof the following: "(B) the levels of direct loans and guarantees of loan principal, (C) a specification of the gross national product for the fiscal year preceding the fiscal year in progress, (D) estimates of the gross national product for the fiscal year in progress and each of the succeeding five fiscal years, (E) estimates of the ratio, for the fiscal year in progress and each of the five succeeding fiscal years, that current law outlays for each such fiscal year will bear to the gross national product for each such fiscal year (stated as a percentage), (F) estimates of the ratio, for the fiscal year in progress and each of the five succeeding fiscal years, that current law revenues for each such fiscal year will bear to the gross national product for each such fiscal year (stated as a percentage), and (G)"; and

(E) by adding at the end thereof the following new sentence: "In preparing such report, the Director shall use the economic assumptions most recently published by the Director.".

REVISION OF TIMETABLE

SEC. 3. Section 300 of the Congressional Budget Act of 1974 is amended to read as follows:

"TIMETABLE

"Sec. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

"On or before:	Action to be completed:
November 10	President submits current services budget.
15th day after Congress meets	President submits his budget.
March 1	Congressional Budget Office submits report to Budget Committees.
March 15	Committees and joint committees submit reports to Budget Committees.
April 15	Budget Committees report concurrent resolution on the budget to their Houses.
May 15	Committees report bills and resolutions authorizing new budget authority.
May 15	Congress completes action on concurrent resolution on the budget.
July 15	Congress completes action on deficit reduction bill or deficit reduction resolution, or both, implementing concurrent resolution on the budget.
7th day after Labor Day	Congress completes action on bills and resolutions providing new budget authority and new spending authority.
October 1	Fiscal year begins.".

CONCURRENT RESOLUTION ON THE BUDGET

Sec. 4. (a)(1) Section 301 of the Congressional Budget Act of 1974 is amended by striking out "FIRST" in the section heading.

(2) The item relating to section 301 in the table of contents in subsection (b) of the first section of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "first".

(b) Section 301(a) of the Congressional Budget Act of 1974 is amended—

(1) by striking out "first" in the matter preceding paragraph (1);

(2) by inserting "for the fiscal year beginning on October 1 of the year in which the resolution is adopted and each of the four succeeding fiscal years," before "the appropriate" in paragraph (1);

(3) by inserting "for the fiscal year beginning on October 1 of the year in which the resolution is adopted and each of the four succeeding fiscal years," before "an estimate" in paragraph (2);

(4) by striking out paragraph (3) and inserting in lieu thereof the following:

"(3) for the fiscal year beginning on October 1 of the year in which the resolution is adopted and each of the four succeeding fiscal years, the amount, if any, of the surplus in the budget which is appropriate in light of economic conditions and all other relevant factors, or, in any case in which the provisions of subsection (a) of section 301A do not apply in accordance with subsection (d) of such section or are waived under subsection (e) of such section, the amount, if any, of the deficit in the budget which is appropriate in light of economic conditions and all other relevant factors;";

(5) by inserting "for the fiscal year beginning on October 1 of the year in which the resolution is adopt-

ed and each of the four succeeding fiscal years," before "the recommended" in paragraph (4);

(6) by inserting "for the fiscal year beginning on October 1 of the year in which the resolution is adopted and each of the four succeeding fiscal years," before "the appropriate" in paragraph (5);

(7) by redesignating paragraphs (6) and (7) as paragraphs (8) and (9), respectively; and

(8) by inserting after paragraph (5) the following new paragraphs:

"(6) for the fiscal year beginning on October 1 of the year in which the resolution is adopted and each of the four succeeding fiscal years, the appropriate level of total gross obligations for the principal amount of direct loans and the appropriate level of total commitments to guarantee loan principal;

"(7) for the fiscal year beginning on October 1 of the year in which the resolution is adopted and each of the four succeeding fiscal years, an estimate of gross obligations for the principal amount of direct loans and an estimate of commitments to guarantee loan principal for each major functional category, based on allocations of the appropriate level of total gross obligations for the principal amount of direct loans and the appropriate level of total commitments to guarantee loan principal;".

(c) Section 301(b) of such Act is amended to read as follows:

"(b) DEFICIT REDUCTION INSTRUCTIONS; ADDITIONAL MATTERS.—(1) The concurrent resolution on the budget referred to in subsection (a) shall also, to the extent necessary to insure that total budget outlays for any fiscal year do not exceed total revenues for such fiscal year and to carry out section 301A—

"(A) specify the total amount by which new current law budget authority for the fiscal year beginning on October 1 of the year in which the concurrent resolution is adopted, and current law outlays associated with such new current law budget authority, and current law spending authority for such fiscal year, are to be changed;

"(B) specify the total amount by which new budget authority for such fiscal year, and outlays associated with such budget authority, and new spending authority described in section 401(c)(2)(C) which will be effective in such fiscal year, contained in laws, bills, and resolutions within the jurisdiction of a committee, are to be reduced below the level of current law budget authority, current law outlays, or current law spending authority for such fiscal year, respectively, and direct that committee to determine and recommend changes to accomplish a change of such total amount and to report such determinations and recommendations in accordance with paragraph (2)(A) by a specified date;

"(C) specify the amount by which budget authority initially provided for fiscal years preceding such fiscal year, and budget outlays associated with such budget authority, contained in laws, bills, and resolutions within the jurisdiction of a committee are to be changed and direct that committee to determine and recommend changes to accomplish a change of that total amount and to report such determinations and recommendations in accordance with paragraph (2)(A) by a specified date;

"(D) specify the total amount by which revenues for such fiscal year are to be changed and direct the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount and to report such determinations and recommendations in accordance with paragraph (2)(A) by a specified date;

"(E) specify the amount by which the statutory limit on the public debt is to be changed and direct the committees having jurisdiction to recommend such change and to report such recommendations in accordance with paragraph (2)(A) by a specified date;

"(F) specify the total amount by which gross obligations for the principal amount of direct loans or commitments to guarantee loan principal are to be changed and direct the committees having jurisdiction to determine and recommend changes in the laws, bills, and resolutions providing or specifying the authority to make such obligations or commitments and to report such determinations and recommendations in accordance with paragraph (2)(A) by a specified date; or

"(G) specify and direct any combination of the matters described in subparagraphs (A), (B), (C), (D), (E), and (F).

"(2)(A) If a concurrent resolution is agreed to in accordance with paragraph (1) containing directions to one or more committees to determine and recommend changes in laws, bills, or resolutions, and—

"(i) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and shall, by the date specified pursuant to paragraph (1)(A), report to its House a deficit reduction bill or a deficit reduction resolution, or both, containing such recommendations; or

"(ii) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations, whether such changes are to be contained in a deficit reduction bill or deficit reduction resolution, and shall, by the date specified pursuant to paragraph (1)(A), report such recommendations to the Committee on the Budget of its House, which upon receiving all such recommendations, shall report to its House a deficit reduction bill or deficit reduction resolution, or both, carrying out all such recommendations without any substantive revision.

"(B) Notwithstanding subparagraph (A), if a concurrent resolution is agreed to in accordance with paragraph (1) containing directions to one or more committees to determine and recommend changes in laws, bills, and resolutions in order to reduce new budget authority, outlays, or new spending authority described in section 401(c)(2)(C), or to change revenues, and any such committee—

"(i) does not report such changes by the date specified in such concurrent resolution pursuant to paragraph (1)(A); or "(ii) by such specified date, reports changes in laws, bills, and resolutions which will result in—

"(I) a reduction in new budget authority, outlays, or new spending authority described in section 401(c)(2)(C) in an amount which is less than the amount specified in the directions contained in such concurrent resolution; or

"(II) a change in revenues in an amount which is less than the amount specified in such directions,

the Committee on the Budget of the House or the Senate, as the case may be, shall report a deficit reduction bill or deficit reduction resolution, or both, containing changes in laws, bills, and resolutions which will result in a reduction in new budget authority, outlays, or new spending authority described in section 401(c)(2)(C) in an amount sufficient to comply with such directions or a change in revenues sufficient to comply with such directions.

"(C) For purposes of this paragraph, a deficit reduction resolution is a concurrent resolution directing the Clerk of the House of Representatives or the Secretary of the Senate, as the case may be, to make specified changes in bills and resolutions which have not been enrolled.

"(D) A deficit reduction bill or a deficit reduction resolution may not contain provisions—

"(i) which decrease the total amount of Federal revenues for a fiscal year below the level of current law revenues for such fiscal year, except in order to carry out section 301A(b);

"(ii) which accomplish decreases in outlays in one fiscal year by postponing such outlays to one or more succeeding fiscal years; or

"(iii) which are predominantly nonbudgetary in nature or which modify programs or activities in a manner which is not necessary to reduce the total amount of new budget authority for a fiscal year and spending authority which will be effective during a fiscal year.

"(3) Congress shall complete action on any deficit reduction bill or deficit reduction resolution reported under this subsection not later than July 15 of each year.

"(4)(A) Except as provided in subparagraphs (B) and (C), the provisions of subsections (b) and (c) of section 305 for the consideration in the Senate of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration in the Senate of deficit reduction bills and deficit reduction resolutions reported under this subsection and conference reports thereon.

"(B) Debate in the Senate on any deficit reduction bill or deficit reduction resolution reported under this subsection, and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 20 hours or a number of hours which is equal to the product of the number of committees of the Senate which have reported provisions included in such bill or resolution multiplied by four, whichever is greater.

"(C) It shall be in order in the Senate to consider any amendment to a deficit reduction bill or a deficit reduction resolution which provides for reductions in budget authority or spending authority described in section 401(c)(2)(C) or increases in revenues if such amendment does not contain matters which are nonbudgetary in nature, does not modify programs in a manner which is not necessary to reduce budget authority or spending authority described in section 401(c)(2)(C), or does not change the provisions of the revenue laws in a manner other than a manner which is necessary to increase or decrease revenues in accordance with deficit reduction instructions included in a concurrent resolution on the budget pursuant to paragraph (1)(D).

"(5) The concurrent resolution on the budget referred to in subsection (a) may also require—

"(A) a procedure under which all or certain bills and resolutions providing new budget authority or providing new spending authority described in section 401(c)(2)(C) for such fiscal year shall not be enrolled until such concurrent resolution has been agreed to, and, if a deficit reduction bill or deficit reduction resolution, or both, are required to be reported under this subsection, until Congress has completed action on that bill or resolution, or both; and

"(B) any other procedure which is appropriate to carry out the purposes of this Act.

"(6) The concurrent resolution on the budget referred to in subsection (a) shall include the section containing provisions to establish a regulatory budget required by section 1105(a).".

(d) Section 301(c) of such Act is amended—

(1) by striking out ", and budget outlays resulting therefrom," in paragraph (2) and inserting in lieu thereof "and budget outlays resulting therefrom, and of the total amounts of gross obligations for the principal amount of direct loans and commitments to guarantee loan principal,"; and

(2) by inserting before the last sentence the following new sentence: "The Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate shall each also submit to the Committee on the Budget of its House its recommendations as to the appropriate level of total gross

obligations for the principal amount of direct loans and the appropriate level of total commitments to guarantee loan principal.".

(e) Section 301(d) of such Act is amended—

(1) by striking out "first" each place it appears before "concurrent resolution on the budget";

(2) by redesignating paragraphs (7) and (8) as paragraphs (8) and (9), respectively; and

(3) by striking out paragraph (6) and inserting in lieu thereof the following:

"(6) for the period of five fiscal years beginning with such fiscal year, a specification for each major functional category, of—

"(A) the levels of total budget outlays, total new budget outlays, total new budget authority, and total revenues for each fiscal year in such period;

"(B) the level of the surplus or deficit, if any, for each such fiscal year;

"(C) an estimate of the ratio that total outlays for each such fiscal year will bear to the gross national product for each such fiscal year (stated as a percentage);

"(D) an estimate of the ratio that total revenues for each such fiscal year will bear to the gross national product for each such fiscal year (stated as a percentage); and

"(E) the estimated levels of tax expenditures (the tax expenditures budget) for each such fiscal year;

"(7) a statement describing whether the concurrent resolution complies with the provisions of subsection (a) of section 301A, or whether the Committee on the Budget recommends that such provisions be waived in accordance with subsection (e) of such section;".

(f) Section 301(e) of such Act is amended—

(1) by striking out "set for" in paragraph (1) and inserting in lieu thereof "set forth";

(2) by striking out "first" before "concurrent resolution on the budget" each place it appears in paragraphs (1) and (2); and

(3) by inserting "referred to in subsection (a)" after "concurrent resolution on the budget" each place it appears in paragraphs (1) and (2).

BALANCED BUDGET REQUIRED

SEC. 5. (a) Title III of the Congressional Budget Act of 1974 is amended by inserting after section 301 the following new section:

"OUTLAYS SHALL NOT EXCEED REVENUES

"SEC. 301A. (a) LIMITATION ON OUTLAYS.—

"(1) The appropriate level of total budget outlays set forth in any concurrent resolution on the budget for any fiscal year beginning after September 30, 1983, shall not exceed the recommended level of Federal revenues set forth in such concurrent resolution for such fiscal year.

"(2) It shall not be in order in the Senate or the House of Representatives to consider any concurrent resolution on the budget for any fiscal year beginning after September 30, 1983, or any amendment thereto or any conference report thereon if—

"(A) the adoption of such resolution as reported;

"(B) the adoption of such amendment; or

"(C) the adoption of the resolution in the form recommended in such conference report;

would cause—

"(i) the appropriate level of total budget outlays set forth in such concurrent resolution for such fiscal year to exceed the recommended level of Federal revenues set forth in such concurrent resolution for such fiscal year; or

"(ii) the total amount by which new budget authority provided for such fiscal year, and outlays associated with such budget authority, and new spending authority described in section 401(c)(2)(C) which will be effective in such fiscal year are to be changed (as specified in such concurrent resolution pursuant to subparagraph (B) of section 301(b)(1)) to be insufficient to insure that total budget outlays for such fiscal year do not exceed total revenues for such fiscal year.

"(b) LIMITATION ON REVENUES.—

"(1) The recommended level of Federal revenues set forth in a concurrent resolution on the budget for a fiscal year beginning after September 30, 1983, shall not exceed an amount which bears the same ratio to the gross national product for such fiscal year as the average of the ratios of estimated total revenues for each of the five fiscal years preceding such fiscal year to the estimated gross national product for each such fiscal year.

"(2) It shall not be in order in the Senate or the House of Representatives to consider any concurrent resolution on the budget for any fiscal year beginning after September 30, 1983, or any amendment thereto or any conference report thereon if—

"(A) the adoption of such resolution as reported;

"(B) the adoption of such amendment; or

"(C) the adoption of the resolution in the form recommended in such conference report;

would cause the recommended level of Federal revenues specified in such concurrent resolution for such fiscal year to exceed the amount prescribed by paragraph (1).

"(3)(A) The Committee on the Budget of the Senate or the House of Representatives may report a separate concurrent resolution providing that the recommended level of Federal revenues set forth in a concurrent resolution on the budget for a fiscal year may exceed the amount prescribed by paragraph (1) for such fiscal year if such separate concurrent resolution specifies the amount by which the recommended level of Federal revenues set forth in such separate concurrent resolution on the budget will exceed such prescribed amount and the purpose for which such excess amount of revenues will be expended.

"(B) If, after the Committee on the Budget of the Senate or the House of Representatives reports a concurrent resolution under subparagraph (A), such concurrent resolution is agreed to by a rollcall vote of the Senate and the House of Representatives, paragraphs (1) and (2) shall not apply to the concurrent resolution on the budget with which the concurrent resolution permitting such excess amount of revenues is concerned.

"(c) DETERMINATION OF OUTLAYS, REVENUES, AND GROSS NATIONAL PRODUCT.—

"(1) For purposes of subsections (a) and (b), the budget outlays to be made during a fiscal year, the revenues to be received during a fiscal year, and the gross national product for a fiscal year shall be determined on the basis of estimates made by the Director of the Congressional Budget Office.

"(2) For purposes of subsection (b), the recommended level of Federal revenues set forth in a concurrent resolution on the budget shall not include any revenues which would be included in such concurrent resolution by operation of subsection (f)(2).

"(d) INAPPLICABILITY IN TIME OF WAR.—The provisions of subsections (a) and (b) shall not apply to any concurrent resolution on the budget for a fiscal year in which a declaration of war is in effect or in which the Armed Forces of the United States are engaged in combat.

"(e) WAIVER FOR RECESSION.—

"(1) By a rollcall vote of the Members of each House of Congress present and voting, Congress may include in a concurrent resolution on the budget for a fiscal year a provision waiving the provisions of subsections (a) and (b) with respect to such fiscal year if the Congress determines, and includes a statement of such determination in such provision, that a national economic emergency, such as a recession, makes compliance with the provisions of such subsections impracticable in such fiscal year. For purposes of the preceding sentence, a recession is a decline in the gross national product during any two consecutive fiscal quarters.

"(2) If Congress waives the provisions of subsection (a) with respect to a fiscal year, and outlays are estimated to exceed revenues in such fiscal year, the concurrent resolutions on the budget for the succeeding two fiscal years shall set forth, in the aggregate, a recommended level of Federal revenues which exceeds the appropriate level of total budget outlays set forth in such concurrent resolutions for such fiscal years by an amount at least equal to the sum of—

"(A) the amount by which outlays exceeded revenues in such preceding fiscal year; and

"(B) the amount of any interest which will be payable on the public debt as a result of the amount described in subparagraph (A).

"(f) ELIMINATION OR REPAYMENT OF UNANTICIPATED DEFICIT.—If, after an examination of the budget transmitted by the President under section 201(a) of the Budget and Accounting Act, 1921, and the report of the Director of the Congressional Budget Office under section 202(f) of this Act, the Committee on the Budget of the Senate or the House of Representatives estimates that outlays will exceed revenues in the fiscal year in progress, such committee shall—

"(1) report to the Senate or the House of Representatives, as the case may be, a concurrent resolution under section 304 revising the concurrent resolution on the budget for the fiscal year in progress, and containing deficit reduction instructions described in section 301(b) in an amount sufficient to insure that total outlays for such fiscal year do not exceed total revenues for such fiscal year; or

"(2) in any case in which such committee determines that compliance with paragraph (1) is impracticable, include in the concurrent resolution required to be reported under section 301(a) for the succeeding fiscal year deficit reduction instructions to the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions which require such committees to report legislation to increase revenues temporarily in order to raise an amount of revenues equal to the sum of—

"(A) the amount by which outlays are estimated to exceed revenues during the fiscal year in progress; and

"(B) the amount of any interest which will be payable on the public debt as a result of the amount described in subparagraph (B).".

(b) The table of contents in subsection (b) of the first section of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 301 the following new item:

"Sec. 301A. Outlays shall not exceed revenues.".

(c)(1) Chapter 11 of title 31, United States Code, is amended by adding at the end thereof the following new section:

"§ 1115. Outlays shall not exceed revenues

"(a) Notwithstanding any other provision of law, the budget transmitted pursuant to section 1105 of this title, the supplemental summary submitted pursuant to section 1106(a) of this title, or any statement of changes submitted pursuant to section 1106(b) of this title, shall not—

"(1) contain—

"(A) any request for budget authority for a fiscal year which will result in an estimate of total outlays which exceeds, or

"(B) any estimate of total outlays for a fiscal year which exceeds, the estimate of total revenues for such fiscal year contained in such budget, summary, or statement; or

"(2) set forth an estimate of total revenues for a fiscal year which exceeds an amount which bears the same ratio to the estimated gross national product for such fiscal year as the average of the ratios of estimated total revenues for each of the five fiscal years preceding such fiscal year to the estimated gross national product for each such preceding fiscal year.

"(b) The provisions of subsection (a) shall not apply to any such budget, summary, or statement submitted for a fiscal year if a declaration of war is in effect or the Armed Forces of the United States are engaged in combat at the time such Budget, summary, or statement is submitted.

"(c) The President may submit such a budget, summary, or statement for a fiscal year which does not comply with subsection (a) if the President determines that a national economic emergency, such as a recession, makes compliance with the provisions of such subsection impracticable in such fiscal year. For purposes of the preceding sentence, a recession is a decline in the gross national product during any two consecutive fiscal quarters. The President shall include in any such budget, summary, or statement, a description of his determination under this subsection and a recommendation that the Congress waive the provisions of subsection (a) of section

301A of the Congressional Budget Act of 1974 with respect to any concurrent resolution on the budget for such fiscal year, in accordance with subsection (e) of such section.".

(2) The table of sections for chapter 11 of title 31, United States Code, is amended by adding at the end thereof the following new item:

"1115. Outlays shall not exceed revenues.".

ALL ACTIVITIES ON-BUDGET

SEC. 6. (a)(1) Title III of the Congressional Budget Act of 1974 is amended by inserting after section 301A (as added by section 5(a) of this Act) the following new section:

"INCLUSION OF ALL FEDERAL ACTIVITIES IN CONCURRENT RESOLUTIONS ON THE BUDGET

"SEC. 301B. Notwithstanding any other provision of law, the appropriate level of total budget authority and total budget outlays, the recommended level of Federal revenues, the appropriate level of total gross obligations for the principal amount of direct loans, and the appropriate level of total commitments to guarantee loan principal, set forth in any concurrent resolution on the budget shall include the budget authority and outlays for, revenues and receipts from, gross obligations for the principal amount of direct loans by, and commitments to guarantee loan principal by, all activities of all departments, agencies, establishments, and instrumentalities of the Federal Government.".

(2) The table of contents in subsection (b) of the first section of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 301A (as added by section 5(b) of this Act) the following new item:

"Sec. 301B. Inclusion of all Federal activities in concurrent resolutions on the budget.".

(b) Section 606 of the Congressional Budget Act of 1974 is repealed.

(c)(1) Section 607 of such Act is redesignated as section 606.

(2) The table of contents in subsection (b) of the first section of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out the item relating to section 606 and redesignating the item relating to section 607 as the item relating to section 606.

(d) Section 1105 of title 31, United States Code, is amended by adding at the end thereof the following new subsection:

"(e) Notwithstanding any other provision of law, the President shall include in the budget submitted under subsection (a) proposed budget authority, direct loans, and commitments to guarantee loan principal, and estimates of outlays and receipts, for all activities of all departments, agencies, establishments, and instrumentalities of the Federal Government.".

ALLOCATIONS

SEC. 7. (a) Section 302(a) of the Congressional Budget Act of 1974 is amended—

(1) by inserting "and the appropriate levels of total gross obligations for the principal amount of direct loans and total commitments to guarantee loan principal" before "among each committee"; and

(2) by inserting "or authorizing such obligations and commitments" before the period.

(b) Section 302(b) of such Act is amended—

(1) by striking out "and (B)" in paragraph (1) and inserting in lieu thereof "(B) further subdivide the amount with respect to each such subcommittee between amounts to be provided in regular appropriation Acts and amounts to be provided in supplemental appropriation Acts, and (C)";

(2) by striking out "and" after the semicolon in such paragraph;

(3) by redesignating paragraph (2) as paragraph (3); and

(4) by inserting after paragraph (1) the following new paragraph:

"(2) the Committee on Appropriations of each House shall also, after consulting with the Committee on Appropriations of the other House, subdivide among its subcommittees the allocation of gross obligations for the principal amount of direct loans and commitments to guarantee loan principal allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution; and".

(c) Section 302(c) of such Act is amended by striking out "or 310".

COMPLETION OF ACTION ON CONCURRENT RESOLUTION ON THE BUDGET

SEC. 8. (a)(1) The section heading for section 303 of the Congressional Budget Act of 1974 is amended by striking out "FIRST".

(2) The item relating to section 303 in the table of contents in subsection (b) of the first section of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "First concurrent" and inserting in lieu thereof "Concurrent".

(b) Section 303(a) of the Congressional Budget Act of 1974 is amended—

(1) by striking out "first";

(2) by inserting "referred to in section 301(a)" after "concurrent resolution on the budget"; and

(3) by striking out "pursuant to section 301".

(c) Subsection (b) of section 303 of such Act is repealed. Subsection (c) of such section is redesignated as subsection (b).

REVISIONS OF CONCURRENT RESOLUTIONS ON THE BUDGET

SEC. 9. Section 304 of such Act is amended—

(1) by striking out "first";

(2) by inserting "referred to in section 301(a)" after "concurrent resolution on the budget" the first place it appears;

(3) by striking out "pursuant to section 301"; and

(4) by adding at the end thereof the following new sentence: "Such revisions may include changes in the deficit reduction instructions included in such concurrent resolution on the budget pursuant to section 301(b) or the inclusion of such instructions in the concurrent resolution on the budget making such revisions.".

PROCEDURES FOR CONSIDERATION OF CONCURRENT RESOLUTIONS ON THE BUDGET; COMMITTEE ACTION ON APPROPRIATION BILLS

SEC. 10. (a) Section 305(a)(3) of the Congressional Budget Act of 1974 is amended—

(1) by striking out "first"; and

(2) by inserting "referred to in section 301(a)" after "concurrent resolution on the budget".

(b) Section 305(b)(1) of such Act is amended by striking out ", except that, with respect to the second required concurrent resolution referred to in section 310(a), all such debate shall be limited to not more than 15 hours".

(c) Section 305(b)(3) of such Act is amended—

(1) by striking out "first"; and

(2) by inserting "referred to in section 301(a)" after "concurrent resolution on the budget".

(d) Section 307 of such Act is amended by inserting ", and the appropriate levels of total gross obligations for the principal amount of direct loans and total commitments to guarantee loan principal," after "and new budget authority".

REPORTS, SUMMARIES, AND PROJECTIONS

SEC. 11. (a) Section 308(a) of the Congressional Budget Act of 1974 is amended—

(1) by striking out "and" after the semicolon in paragraph (1)(C);

(2) by striking out "first" in subparagraph (A) of paragraph (2);

(3) by inserting "referred to in section 301(a)" after "concurrent resolution on the budget" in such subparagraph;

(4) by striking out the period at the end of subparagraph (B) of paragraph (2) and inserting in lieu thereof a semicolon and "and"; and

(5) by inserting after paragraph (2) the following new paragraph:

"(3) in the case of a bill or resolution specifying the level of gross obligations for the principal amount of direct loans or the level of commitments to guarantee loan principal, how such levels compare with the appropriate level of total gross obligations for the principal amount of direct loans or the appropriate level of total commitments to guarantee loan principal, as the case may be, set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302.".

(b) Section 308(b) of such Act is amended—

(1) by striking out "and" after the semicolon in paragraph (3);

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a semicolon and "and"; and

(3) by adding at the end thereof the following new paragraph:

"(5) an up-to-date tabulation comparing the gross obligations for the principal amount of direct loans and the commitments to guarantee loan principal for such fiscal year in bills or resolutions on which the Congress has completed action to the appropriate level of total gross obligations for the principal amount of direct loans and the appropriate level of total commitments to guarantee loan principal set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302.".

(c) Section 308(c) of such Act is repealed.

COMPLETION OF ACTION ON CERTAIN BILLS AND RESOLUTIONS

SEC. 12. (a)(1) The section heading for section 309 of the Congressional Budget Act of 1974 is amended by striking out "AND CERTAIN NEW SPENDING AUTHORITY" and inserting in lieu thereof ", SPECIFYING DIRECT LOANS OR LOAN GUARANTEE COMMITMENTS, OR PROVIDING CERTAIN NEW SPENDING AUTHORITY; CONGRESS MAY NOT ADJOURN UNTIL CERTAIN ACTIONS ARE COMPLETED".

(2) The item relating to section 309 in the table of contents in subsection (b) of the first section of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "and certain new spending authority" and inserting in lieu thereof the following: ", specifying direct loans or loan guarantee commitments, or providing certain

new spending authority; Congress may not adjourn until certain actions are completed".

(b) Section 309 of the Congressional Budget Act of 1974 is amended—

(1) by inserting "(a) COMPLETION OF ACTION ON CERTAIN BILLS AND RESOLUTIONS.—" before "Except";

(2) by inserting "or specifying the level of gross obligations for the principal amount of direct loans or the level of commitments to guarantee loan principal for such fiscal year," after "October 1 of such year," in paragraph (1);

(3) by striking out "the reconciliation bill for such year, if required to be reported under section 310(c)" in such paragraph and inserting in lieu thereof "any deficit reduction bill for such year required pursuant to deficit reduction instructions, or revisions of deficit reduction instructions, included in a concurrent resolution revising a concurrent resolution on the budget under section 304"; and

(4) by adding at the end thereof the following new subsection:

"(b) LIMITS ON ADJOURNMENT.—It shall not be in order in either the House of Representatives or the Senate to consider any resolution providing for the adjournment sine die of either House unless—

"(1) action has been completed on the concurrent resolution on the budget required to be reported under section 301(a) for the fiscal year beginning on October 1 of such year, and, if a deficit reduction bill or resolution, or both, is required to be reported under section 301(b) for such fiscal year, unless the Congress has completed action on that bill or resolution or both;

"(2) action has been completed on the bills and resolutions to which subsection (a) applies and on all continuing appropriation bills and resolutions; and

"(3) the Committees on the Budget of the House of Representatives and the Senate have each reported to their respective Houses a notice certifying that the total amount of new budget authority provided for in each of the bills and resolutions described in paragraph (2), and the total amount of budget outlays associated with such budget authority, comply with the allocations of total budget authority and budget outlays under section 302.".

ELIMINATION OF SECOND REQUIRED CONCURRENT RESOLUTION ON THE BUDGET

SEC. 13. (a) Section 310 of the Congressional Budget Act of 1974 is repealed. Section 311 of such Act is redesignated as section 310.

(b) The table of contents in subsection (b) of the first section of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out the item relating to section 310 and redesignating the item relating to section 311 as the item relating to section 310.

CERTAIN LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

SEC. 14. (a)(1) The section heading for section 310 of the Congressional Budget Act of 1974 (as redesignated by section 13(a) of this Act) is amended by inserting a comma and "LOANS AND LOAN GUARANTEE COMMITMENTS," after "NEW SPENDING AUTHORITY".

(2) The item relating to section 310 in the table of contents in subsection (b) of the first section of the Congressional Budget and Impoundment Control Act of 1974 (as redesignated by section 13(b) of this Act) is amended by inserting "loans and loan guarantee commitments," after "new spending authority,".

(b) Section 310(a) of the Congressional Budget Act of 1974 (as redesignated by section 13(a) of this Act) is amended to read as follows:

"(a) LEGISLATION SUBJECT TO POINT OF ORDER.—After the Congress has completed action on the concurrent resolution on the budget referred to in section 301(a) for a fiscal year, and, if a deficit reduction bill or resolution, or both, for such fiscal year are required to be reported under section 301(b) for such fiscal year, after that bill has been enacted into law or that resolution has been agreed to, it shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment providing new budget authority for such fiscal year or any of the four succeeding fiscal years, providing new spending authority described in section 401(c)(2)(C) to become effective during such fiscal year or any of the four succeeding fiscal years, specifying the levels of total gross obligations for the principal amount of direct loans or total commitments to guarantee loan principal for such fiscal year or any of the four succeeding fiscal years, or reducing revenues for such fiscal year or any of the four succeeding fiscal years, or any conference report on any such bill or resolution, if—

"(1) the enactment of such bill or resolution as reported;

"(2) the adoption and enactment of such amendment; or

"(3) the enactment of such bill or resolution in the form recommended in such conference report;

would—

"(A) cause the appropriate level of total new budget authority or total budget outlays set forth for any fiscal year in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded;

"(B) cause revenues for any such fiscal year to be less than the recommended level of Federal revenues set forth in such concurrent resolution for such fiscal year;

"(C) cause the appropriate level of total gross obligations for the principal amount of direct loans or the appropriate level of total commitments to guarantee loan principal set forth for any such fiscal year in such concurrent resolution to be exceeded;

"(D) cause the appropriate level of total new budget authority and budget outlays for any such fiscal year allocated under section 302 to the committee of the Senate or the House of Representatives, as the case may be, and to the subcommittees of the Committee on Appropriations of the Senate and the House of

Representatives, as the case may be, having legislative jurisdiction over such bill, resolution, amendment, or conference report, to be exceeded;

"(E) in the case of a bill, resolution, amendment, or conference report providing regular or supplemental new budget authority for any such fiscal year, cause the total amount of new budget authority and budget outlays for such fiscal year allocated under section 302 to regular new budget authority or supplemental new budget authority and to the subcommittee of the Committee on Appropriations of the Senate or the House of Representatives, as the case may be, having legislative jurisdiction over such bill, resolution, amendment, or conference report, to be exceeded; or

"(F) cause the appropriate level of gross obligations for the principal amount of direct loans or the appropriate level of commitments to guarantee loan principal allocated under section 302 to the subcommittee of the Committee on Appropriations of the Senate or the House of Representatives, as the case may be, having legislative jurisdiction over such bill, resolution, amendment, or conference report to be exceeded.

For purposes of this subsection, the term "regular new budget authority" means new budget authority provided in a regular appropriation Act and the term "supplemental new budget authority" means new budget authority provided in a supplemental appropriation Act.".

REPORTING OF AUTHORIZING LEGISLATION

SEC. 15. Section 402(a) of the Congressional Budget Act of 1974 is amended by inserting "or which authorizes the guarantee of loan principal for a fiscal year," after "enactment of new budget authority for a fiscal year,".

LIMITATION ON LEGISLATION PROVIDING AUTHORITY TO MAKE DIRECT LOANS OR TO GUARANTEE LOAN PRINCIPAL

SEC. 16. (a) Title IV of the Congressional Budget Act of 1974 is amended by adding at the end thereof the following new section:

"LEGISLATION PROVIDING AUTHORITY TO MAKE DIRECT LOANS OR TO GUARANTEE LOAN PRINCIPAL

"SEC. 405. It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides, extends, or enlarges authority to incur obligations for the principal amount of direct loans or obligations for the guarantee of loan principal (or any amendment which provides, extends, or enlarges such authority) unless that bill, resolution, or amendment also provides that such authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.".

(b) The table of contents in subsection (b) of the first section of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting after the item relating to section 404 the following new item:

"Sec. 405. Legislation providing authority to make direct loans or to guarantee loan principal.".

CURRENT SERVICES BUDGET

SEC. 17. (a) Section 605(a) of the Congressional Budget Act of 1974 is amended to read as follows:

"(a) On or before November 10 of each year (beginning with 1983), the President shall submit to the Senate and the House of Representatives a statement containing estimates of current law budget authority, current law outlays, current law spending authority, and current law revenues for the ensuing fiscal year. The estimates of current law budget authority, current law outlays, and current law spending authority submitted pursuant to this section shall be shown by function and subfunctions (in accordance with the classifications in the budget summary table entitled "Budget Authority and Outlays by Function and Agency" used in the budget submitted pursuant to section 201(a) of the Budget and Accounting Act, 1921), by major programs within each such function, and by agency. Accompanying these estimates shall be the economic and programmatic assumptions underlying such estimates, such as the rate of inflation, the rate of real economic growth, the unemployment rate, program caseloads, and pay increases.".

(b) Section 605(b) of such Act is amended by striking out "estimated outlays and proposed budget authority" and inserting in lieu thereof "estimates".

RULEMAKING POWER

SEC. 18. (a) Section 904(a) of the Congressional Budget Act of 1974 is amended by striking out "and 1017" and inserting in lieu thereof "1017, 1105, 1106, and 1107".

(b) Section 904(b) of such Act is amended by striking out "or IV" and inserting in lieu thereof "(except section 301A or 301B) or title IV".

REGULATORY BUDGET

SEC. 19. (a) The Congressional Budget and Impoundment Control Act of 1974 is amended by adding at the end thereof the following new title:

"TITLE XI—REGULATORY BUDGET PROCEDURE

"STATEMENT OF FINDINGS AND PURPOSE

"SEC. 1101. (a) The Congress finds that—

"(1) Federal rules and regulations often impose excess costs of compliance upon the non-Federal sector;

"(2) Federal rules and regulations have grown in number and scope so rapidly that the agencies and the Congress have not had an adequate opportunity to examine the costs of compliance with such rules and regulations; and

"(3) it is the responsibility of the Congress to determine the appropriate levels of costs of compliance with Federal rules and regulations.

"(b) It is the purpose of this title to require the Congress to establish, for each fiscal year, a regulatory budget for each major functional category used in the concurrent resolution on the budget for such fiscal year which sets the maximum costs of compliance with all rules and regulations promulgated under activities within each such functional category.

"DEVELOPMENT OF REGULATORY COSTS ANALYSIS PROCEDURES

"SEC. 1102. (a) The President shall—

"(1) establish criteria for use in the determination of which rules or regulations are rules or regulations within the meaning of this title and furnish such criteria to the head of each agency; and

"(2) develop methods of determining the costs of compliance with rules or regulations and furnish such methods to the head of each agency.

"(b) In developing the methods required under subsection (a)(2), the President shall—

"(1) take such action as may be necessary to insure that such methods are based upon the most accurate available statistical and accounting knowledge and techniques; and

"(2) provide, to the maximum extent feasible, that such methods are uniform for all agencies while taking into account the different functions of each agency.

"(c)(1) At least ninety days before the submission of the criteria and methods required under subsection (a) to the head of each agency, the President shall—

"(A) publish such criteria and methods in the Federal Register in order to solicit public comments thereon for a period not in excess of forty-five days; and

"(B) submit such criteria and methods to the Comptroller General, the Chairman of the Administrative Conference of the United States, and the Director for their review and comments.

"(2) The Comptroller General, the Chairman of the Administrative Conference of the United States, and the Director shall submit comments and recommendations concerning the criteria and methods submitted pursuant to paragraph (1)(B) within forty-five days of the receipt of such criteria and methods.

"(d) Each year, at a time and in a manner consistent with the provisions of sections 1103 and 1104, the President shall review and update the criteria and methods established under this section in accordance with the procedures established by this section.

"(e) The President may delegate his responsibilities under this section to the Director of the Office of Management and Budget.

"(f) The head of each agency shall utilize the criteria and methods developed by the President under this section to carry out section 1103.

"REGULATORY COST COMPLIANCE REPORTS

"SEC. 1103. (a)(1) Each year, the head of each agency shall conduct a study of the costs of compliance with rules and regulations promulgated by that agency. The head of each agency shall utilize the criteria established by the President under section 1102 in conducting the study required under this subsection.

"(2) The head of each agency shall submit a report to the Director of the Office of Management and Budget and the Comptroller General by the November 10 preceding the beginning of each fiscal year. The report shall contain the results of the study required under paragraph (1), and shall include—

"(A)(i) a statement of the costs of compliance for the fiscal year ending on the September 30 prior to the day on which the report is submitted;

"(ii) a comparison of the costs of compliance for such fiscal year with the regulatory budget, if any, established for such fiscal year under section 1105; and

"(iii) a full explanation for any costs of compliance which exceeded the regulatory budget for such fiscal year; and

"(B) a statement of the estimated costs of compliance for the fiscal year in progress when the report is submitted and for the succeeding fiscal year—

"(i) with rules and regulations of such agency in effect on the date on which the report is submitted;

"(ii) with rules and regulations of such agency which are to be issued, or are expected to be issued, after the date on which the report is submitted; and

"(iii) with all rules and regulations of such agency as specified in clauses (i) and (ii).

"(3) The report required by this subsection shall contain an allocation of the costs of compliance specified in such report pursuant to paragraph (2) among the major functional categories used in the most recently agreed to concurrent resolution on the budget for the fiscal year in which the report is submitted.

"(b) The Director of the Office of Management and Budget shall compile the reports submitted by agencies under subsection (a) and shall submit such reports to the President.

"REGULATORY BUDGET RECOMMENDATIONS

"SEC. 1104. (a) Except as provided in subsection (b), the Budget transmitted pursuant to section 201(a) of the Budget and Accounting Act, 1921, for each fiscal year shall include a regulatory budget for each agency which shall contain recommendations for the maximum costs of compliance with all rules and regulations of each agency during the fiscal year for which the Budget is submitted. If the proposed regulatory budget for any agency is less than the estimated total costs of compliance determined by the agency head under section 1103(a)(2)(B), the Budget message shall recommend specific actions which may be taken during such fiscal year to reduce the costs of compliance.

"(b) The regulatory budget required under subsection (a) for each of the first two fiscal years to which this title applies shall only contain recommendations for the maximum costs of compliance during each such fiscal year with all rules and regulations which each agency expects to issue during each such fiscal year. If the proposed regulatory budget for rules and regulations expected to be issued by any agency in any such fiscal year is less than the estimated costs of compliance determined by the agency head under section

1103(a)(2)(B)(ii), the Budget message shall recommend specific actions which may be taken during such fiscal year to reduce such costs of compliance.

"(c) Each regulatory budget for an agency required under subsection (a) for a fiscal year shall contain an allocation of the costs of compliance with the rules or regulations of the agency among—

"(1) the major functional categories used in the Budget transmitted for such fiscal year pursuant to section 201(a) of the Budget and Accounting Act, 1921; and

"(2) the committees of the Senate and the House of Representatives having legislative jurisdiction over the programs and activities of the agency.

"(d) The President shall submit with the regulatory budget required by this section for each agency for each fiscal year a copy of the report submitted by the agency under section 1103(a) by November 10 of the fiscal year preceding such fiscal year.

"REGULATORY BUDGET

"SEC. 1105. (a)(1) The concurrent resolution on the budget referred to in section 301(a) for a fiscal year shall include a separate section containing a regulatory budget which, except as provided in paragraph (2), establishes the maximum costs of compliance with all rules and regulations of all agencies which will be in effect during such fiscal year. In developing such regulatory budget, the Congress shall utilize the reports submitted by the head of each agency pursuant to section 1103(a) and the recommendations submitted by the President pursuant to section 1104.

"(2) The regulatory budget included pursuant to paragraph (1) in the concurrent resolution on the budget referred to in section 301(a) for each of the first two fiscal years to which this title applies shall only set the maximum costs of compliance during each such fiscal year with all rules and regulations which each agency expects to issue during each such fiscal year.

"(3) Each regulatory budget required under paragraph (1) for a fiscal year shall contain an allocation of the costs of compliance with all rules or regulations of all agencies which will be in effect during a fiscal year among—

"(A) the major functional categories used in the concurrent resolution on the budget in which such regulatory budget is included; and

"(B) the committees of the Senate and the House of Representatives having legislative jurisdiction over the programs and activities of the agency.

"(b) On or before March 15 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House, each standing committee of the Senate (and each other committee of the Senate which has legislative jurisdiction) shall submit to the Committee on the Budget of the Senate, and the Joint Economic Committee and Joint Committee on Internal Revenue Taxation shall submit to the Committees on the Budget of both Houses its views and estimates with respect to the establishment of the maximum costs of compliance with rules and regulations which relate to matters within the respective jurisdiction or function of such committee or joint committee.

"(c) The report accompanying the concurrent resolution on the budget in which a regulatory budget is included shall contain an allocation of the costs of compliance for each major functional category specified in such regulatory budget among each agency which administers activities within each such category.

"REPORTS AND SUMMARIES OF CONGRESSIONAL ACTION

"SEC. 1106. (a) Whenever a committee of either House reports a bill or resolution to its House, the report accompanying that bill or resolution shall contain a statement, prepared after consultation with the Director, which contains an estimate, for the fiscal year in which such bill or resolution is to be effective and each of the four succeeding fiscal years, of the costs of compliance with the rules or regulations required to carry out the provisions of such bill or resolution.

"(b) The Director shall issue periodic reports detailing and tabulating the progress of congressional action on bills and resolutions which will create costs of compliance as a result of rules or regulations required to carry out the provisions of such bill or resolution. Such report shall include—

"(1) an up-to-date tabulation of the costs of compliance with rules or regulations required to carry out the provisions of each such bill or resolution on which Congress has completed action;

"(2) an up-to-date status report on all bills and resolutions which would create such costs of compliance; and

"(3) an up-to-date comparison of the maximum costs of compliance established pursuant to section 1105 with the costs of compliance—

"(A) with rules or regulations in effect on the date of such report; and

"(B) with rules or regulations required to carry out the provisions of bills or resolutions on which Congress has completed action.

"(c) The estimate of costs of compliance required by subsection (a), the tabulation of the costs of compliance required by paragraph (1) of subsection (b), and the comparison of the costs of compliance required under paragraph (3) of such subsection shall include an allocation of such costs of compliance among—

"(1) the agencies who will issue the rules or regulations from which such costs of compliance will result;

"(2) the major functional categories used in the concurrent resolution on the budget most recently agreed to under title III; and

"(3) in the case of a tabulation required under paragraph (1) of subsection (b) or a comparison required under paragraph (3) of such subsection, the committees of the Senate and the House of Representatives having legislative jurisdiction over the bill or resolution for which such tabulation or comparison, as the case may be, is made.

"NEW LEGISLATION MUST BE WITHIN REGULATORY BUDGET

"SEC. 1107. (a) After the Congress has completed action on the concurrent resolution on the budget referred to in section 301(a) for a fiscal year, it shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment which would result in additional costs of compliance in such fiscal year, or any conference report on such bill or resolution, if—

"(1) the enactment of such bill or resolution as reported;

"(2) the adoption and enactment of such amendment; or

"(3) the enactment of such bill or resolution in the form recommended in such conference report;

would cause the total costs of compliance for such fiscal year to exceed the maximum costs of compliance established in the regulatory budget for such fiscal year included in such concurrent resolution on the budget.

"(b) For purposes of subsection (a), the costs of compliance during a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or the Senate, as the case may be.

"(c)(1) The committee of the Senate which reports any bill or resolution may, at or after the time it reports such bill or resolution, report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution, and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. The Committee on the Budget shall report the resolution to the Senate, within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred, accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If the committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

"(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and the minority leader or their designees, and the time on any debatable motion or appeal shall be limited to 20 minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

"(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) of this section shall not apply with respect to that bill or resolution referred to in the resolution.

"DEFINITIONS

"SEC. 1108. For purposes of this title—

"(1) the term 'agency' has the meaning given to it by section 551(1) of title 5, United States Code;

"(2) the term 'Comptroller General' means the Comptroller General of the United States;

"(3) the term 'costs of compliance' means, with respect to an agency, the costs imposed upon the non-Federal sector as a result of compliance with rules or regulations promulgated by that agency, including wages, salaries, benefits, capital costs, rents, interest, State and local taxes, and costs due to data collection and recordkeeping, preparation and submission of forms, data, and reports, purchase of necessary equipment, management time, training, and changes in the quality or mixture of raw materials or output, except that such term does not include normal business or recordkeeping costs which would exist in the absence of such rules or regulations;

"(4) the term 'Director' means the Director of the Congressional Budget Office;

"(5) the term 'non-Federal sector' means an individual, partnership, association, corporation, business trust or legal representative thereof, organized group of individuals, labor organization, State or territorial government or branch thereof, or political subdivision of a State or territory or a branch thereof; and

"(6) the term 'rule or regulation' has the meaning given to the term 'rule' by section 551(4) of title 5, United States Code.

"EFFECTIVE DATE

"SEC. 1109. The provisions of this title shall take effect on the date of its enactment, except that the provisions of sections 1103 through 1107 shall apply only with respect to the first fiscal year beginning at least eighteen months after the date of enactment of this title, and succeeding fiscal years.".

(b) The table of contents in section (1)(b) of such Act is amended by adding at the end thereof the following new items:

"TITLE XI—REGULATORY BUDGET PROCEDURE

"Sec. 1101. Statement of findings and purpose.
"Sec. 1102. Development of regulatory costs analysis procedures.
"Sec. 1103. Regulatory cost compliance reports.
"Sec. 1104. Regulatory budget recommendations.
"Sec. 1105. Regulatory budget.
"Sec. 1106. Reports and summaries of congressional action.
"Sec. 1107. New legislation must be within regulatory budget.
"Sec. 1108. Definitions.
"Sec. 1109. Effective date.".

SUBMISSION OF PRESIDENT'S BUDGET

SEC. 20. Section 1105(a) of title 31, United States Code, is amended—

(1) by striking out "referred to in section 301(a)(1)–(5)" in paragraph (15) and inserting in lieu thereof "referred to in section 301(a)(1)–(7)";

(2) by striking out "(2 U.S.C. 632(a)(1)–(5))." in such paragraph and inserting in lieu thereof "(2 U.S.C. 632(a)(1)–(7))."; and

(3) by adding at the end thereof the following new paragraph:

"(25) all essential facts regarding direct lending by the Government, and guarantees by the Government of the repayment of indebtedness incurred by another person or government.".

APPLICABILITY

SEC. 21. The provisions of this Act, and the amendments and repeals made by this Act, shall apply with fiscal years beginning after September 30, 1983, except that the provisions of the Regulatory Budget Act of 1982, as added by section 19 of this Act, shall be effective in accordance with section 1109 of such Act.

○

SECTION-BY-SECTION ANALYSIS OF S. 2921

Section 301A (New Section): Outlays Shall Not Exceed Revenues

(a)(1) Mandates that Budget Resolution shall be balanced.

(2) Establishes points of order against Resolution or floor amendments thereto which would cause outlays to exceed revenues.

(b)Limits Revenues as percent of GNP; establishes points of order to enforce limit.

(c)(1) Requires outlays, revenues and GNP to be estimated by the Congressional Budget Office.

(2) Excludes temporary tax surcharge from inclusion in revenues per GNP.

(d)Provisions for balance and revenues per GNP do not apply in times of war or U. S. troops engaged in combat.

(e)(1) Allows waiver of Balanced Budget in time of recession by majority roll call vote.

(2) Requires a surplus to pay back any recession-based deficits, plus interest in two years following.

(f)Elimination or Repayment of "Unanticipated Deficit".

(1) If mid-year re-estimates show unanticipated deficit, a revised Budget Resolution with a Deficit Reduction Bill is required.

(2) To the extent deficit cannot be eliminated in current year, the next year's budget resolution must contain a provision to instruct Finance and Ways and Means to report temporary tax increases sufficient to pay off debt; these would not be included in permanent tax base.

Section 301 B (New Section) Prohibits Off-Budget Spending: all spending and revenues, including outlays for credit activities or other activities presently placed "off budget" shall be included in Budget Resolution estimates (another section of the bill makes this apply to the President's Budget request).

Section 302(b) Committee Allocations: Adds enforcement

(1)Appropriations Subcommittee allocations further divided between regular and supplemental bills.

(2)Credit totals allocated by Subcommittees.

Section 303(b) is Stricken: eliminates out-year loophole for spending or revenues, so they cannot "leap-frog" budget resolution.

Section 304: Revisions: allows revisions of the binding First Budget Resolution, including revisions to or inclusion of a Deficit Reduction Bill.

Section 310(a): Enforcement

- Makes First Budget Resolution totals binding.
- Makes Committee allocations binding.
- For Appropriations Committee, makes subcommittee allocations binding, including the separate allocation for regular and supplemental bills.
- Provides points of order against any bill, or any amendment to a bill, which would cause the above ceilings to be breached.

Section 405. Credit activities must be subject to appropriations.

Section 605. Current Services Budget: conform to definition of current law levels of spending and revenues.

Section 904(b). Sections mandating a balanced budget, limitation on revenues per GNP, prohibition of off-budget spending and points of order are excluded from the provision allowing the Act to be waived by a majority of members present and voting.

Title XI: Creates a regulatory budget procedure that is parallel to the spending budget process.

Budget and Accounting Act of 1921: President's budget to conform to the above amendments to the Congressional Budget Act:

(1)Include Credit Budget.

(2)Outlays not exceed revenues.

(3)Revenues not exceed percent GNP.

(4)Seek waiver from Congre-s for national economic emergency, such as recession.

(5)Prohibit off-budget spending.

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Alice M. Rivlin
Director

October 8, 1982

The Honorable Lawton Chiles
United States Senate
437 Russell Senate Office Building
Washington, D. C. 20510

Dear Senator Chiles:

The purpose of this letter is to provide comments on S. 2921, the Balanced Budget Enforcement Act of 1982. The provisions of this bill would substantially strengthen the Congressional budget process and should enhance the ability of the Congress to control the federal budget. The proposed act formally adopts a number of changes that have evolved over the seven year history of the Congressional budget process, it establishes procedures for implementing a balanced budget and it extends budgetary controls to federal intervention by regulation.

The Congressional Budget Office has previously testified in support of a number of ideas incorporated in S. 2921. The bill addresses the timing problems presented by the current schedule by making the first budget resolution binding and by extending time available for a reconciliation bill to sixty days. It extends coverage of the budget resolutions to federal credit and it brings off-budget spending on-budget, making all federal spending and lending subject to budgetary controls. The bill also recognizes the need to control the budget on a multiyear basis by making the five-year targets binding. These changes would continue the needed gradual strengthening of budgetary control that has developed over the past few years.

The balanced budget aspects of the bill present thoughtful solutions to a number of issues raised about how to implement a balanced budget requirement. If current law outlays are greater than current law revenues a "Deficit Reduction Bill" containing a package of measures to balance the budget would be required early in the budget cycle. It is certainly right to do this early. The bill puts a limit on revenue growth, to the five year average growth of national income, a smoother target than the one year growth limit required by S. J. Res. 58 as introduced. The Congress may waive the balanced budget requirement by a simple majority vote if there is a "national economic emergency", but if it does so, there must be a planned surplus the next two years to "pay back" the deficit. If an unanticipated recession causes a deficit, a temporary tax surcharge must be enacted in the next year to pay back the shortfall. These requirements recognize the need for flexibility, both to respond to recessions and to economic uncertainty. Under many economic conditions, the pay back provisions will do no harm to the economy, but in a prolonged slump they might prove troublesome.

There are several provisions of the bill about which CBO has some reservations. The bill strengthens enforcement of the budget resolutions by making spending allocations to authorizing committees and appropriations subcommittees subject to point of order. However, making the allocations binding presents the possibility that either the Budget Committees' or the Appropriations Committees' priorities could be substituted for functional priorities voted on in the resolution. In addition, the requirement for a regulatory budget is not, in our view, technically feasible at this time. More experience is needed in estimating regulatory burdens and costs.

I appreciate this opportunity to comment on the Balanced Budget Enforcement Act of 1982. If we can be of further assistance, please let me know.

Sincerely,

Alice M. Rivlin
Director

II

97TH CONGRESS
1ST SESSION

S. 59

To amend the Congressional Budget Act of 1974 to terminate certain existing entitlement authority and prohibit new entitlement authority, to terminate certain existing permanent budget authority and prohibit new permanent budget authority, to provide that new budget authority can be available for outlays only for a single fiscal year, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 6 (legislative day, JANUARY 5), 1981

Mr. BIDEN introduced the following bill; which was read twice and referred jointly to the Committees on the Budget and Governmental Affairs pursuant to the order of August 4, 1977.

A BILL

To amend the Congressional Budget Act of 1974 to terminate certain existing entitlement authority and prohibit new entitlement authority, to terminate certain existing permanent budget authority and prohibit new permanent budget authority, to provide that new budget authority can be available for outlays only for a single fiscal year, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Congressional Budget Act Amendments of 1981".

SEC. 2. (a) Title IV of the Congressional Budget Act of 1974 (2 U.S.C. 1351–1353) is amended by striking out section 401 and inserting in lieu thereof the following new sections:

"NEW SPENDING AUTHORITY

"SEC. 401. (a) NEW SPENDING AUTHORITY SUBJECT TO APPROPRIATIONS ACTS.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment which provides new spending authority unless that bill, resolution, or amendment also provides that such new spending authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

"(b) DEFINITIONS.—For purposes of this section—

"(1) The term 'new spending authority' means spending authority not provided by law on the effective date of section 2 of the Congressional Budget Act Amendments of 1981, including any increase in or addition to spending authority provided by law on such date.

"(2) The term 'spending authority' means authority (whether temporary or permanent)—

"(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

"(B) to incur indebtedness (other than indebtedness incurred under the Second Liberty Bond Act) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts;

"(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law;

"(D) to insure or guarantee on behalf of the United States the repayment of indebtedness incurred by another person or government, the budget authority for which is not provided in advance by appropriation Acts; and

"(E) to obligate the United States by any other means to make outlays, the budget authority for which is not provided in advance by appropriation Acts.

"NEW PERMANENT BUDGET AUTHORITY

"SEC. 401A. (a) PROHIBITION OF NEW PERMANENT BUDGET AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment which provides new permanent budget authority.

"(b) DEFINITIONS.—For purposes of this section—

"(1) The term 'new permanent budget authority' means permanent budget authority not provided by law on the effective date of section 2 of the Congressional Budget Act Amendments of 1981, including any increase in or addition to permanent budget authority provided by law on such date.

"(2) The term 'permanent budget authority' means budget authority provided for an indefinite period of time or an unspecified number of fiscal years which does not require recurring action by the Congress.

"NEW BUDGET AUTHORITY TO BE PROVIDED FOR SINGLE FISCAL YEAR

"SEC. 401B. It shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment which provides new budget authority which is to be available for outlays therefrom during any fiscal year or other period after the close of the fiscal year for which such new budget authority is provided.".

(b) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out the item relating to section 401 and inserting in lieu thereof the following:

"Sec. 401. New spending authority.
"Sec. 401A. New permanent budget authority.
"Sec. 401B. New budget authority to be provided for single fiscal year.".

(c) Section 303(a) of the Congressional Budget Act of 1974 (31 U.S.C. 1324(a)) is amended—

(1) by inserting "or" at the end of paragraph (2);

(2) by striking out "or" at the end of paragraph (3); and

(3) by striking out paragraph (4).

(d) Section 309 of such Act (31 U.S.C. 1330) is amended to read as follows:

"COMPLETION OF ACTION ON BILLS PROVIDING NEW BUDGET AUTHORITY

"SEC. 309. Except as otherwise provided pursuant to this title, not later than the seventh day after Labor Day of each year, the Congress shall complete action on all bills and resolutions providing new budget authority for the fiscal year beginning on October 1 of such year, other than supplemental, deficiency, and continuing appropriation bills and resolutions, and other than the reconciliation bill for such year, if required to be reported under section 310(c). The preceding sentence shall not apply to any bill or resolution if legislation authorizing the enactment of new budget authority to be provided in such bill or resolution has not been timely enacted.".

(e) Section 310(a)(1) of such Act (31 U.S.C. 1331(a)(1)) is amended—

(1) by inserting "and" at the end of subparagraph (A);

(2) by striking out "and" at the end of subparagraph (B); and

(3) by striking out subparagraph (C).

(f) Section 311(a) of such Act (31 U.S.C. 1332(a)) is amended by striking out ", providing new spending authority described in subsection 401(c)(2)(C) to become effective during such fiscal year,".

(g) Section 402 of such Act (31 U.S.C. 1330) is amended—

(1) by inserting "or provides new spending authority to become effective during a fiscal year" after "for a fiscal year" in subsection (a); and

(2) by striking out subsections (e) and (f).

(h) This section shall take effect on the first day of the Ninety-eighth Congress.

SEC. 3. (a) Title VI of the Congressional Budget Act of 1974 is amended by adding at the end thereof the following new section:

"TERMINATION OF CERTAIN SPENDING AUTHORITY AND PERMANENT BUDGET AUTHORITY; SINGLE-YEAR NEW BUDGET AUTHORITY

"SEC. 608. (a) Effective with respect to the fiscal year beginning on October 1, 1983, and succeeding fiscal years—

"(1) all spending authority (as defined in section 401(b)(2) of the Congressional Budget Act of 1974) which is provided by law on the effective date of section 2 of the Congressional Budget Act Amendments of 1981 shall be effective only to the extent that new budget authority therefor is provided in appropriation Acts;

"(2) all provisions of law providing permanent budget authority (as defined in section 401A(b)(2) of the Congressional Budget Act of 1974) shall cease to be effective for the purpose of providing such budget authority; and

"(3) new budget authority which is provided for any fiscal year shall not be available for outlays therefrom after the close of such fiscal year.

"(b) EXCEPTIONS.—

"(1) Paragraph (1) of subsection (a) shall not apply to spending authority described in section 401(b)(2)(C) provided by the Social Security Act on the effective date of section 2 of the Congressional Budget Act Amendments of 1981.

"(2) Paragraph (2) of subsection (a) shall not apply to permanent budget authority (as in effect on the effective date of section 2 of the Congressional Budget Act Amendments of 1981) for—

"(A) payments to or from a trust fund established by the Social Security Act, but only to the extent provided by such Act on such effective date;

"(B) payments of interest on obligations constituting a part of the public debt of the United States; or

"(C) payments of refunds of internal revenue collections, but not including payments to any person in excess of his tax liability under the internal revenue laws.".

(b) The table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by inserting the following after the item relating to section 607:

"Sec. 608. Termination of certain spending authority and permanent budget authority; single-year new budget authority.".

SEC. 4. (a)(1) Clause 1(b)(4) of rule X of the Rules of the House of Representatives is amended to read as follows:

"(4) The extent or amount of spending authority (as described in the Congressional Budget Act of 1974) that is to be effective for a fiscal year.".

(2) Clause 4(a) of such rule is amended by striking out subparagraph (2).

(b) Paragraph 1(b) of rule XXV of the Standing Rules of the Senate is amended by striking out subparagraphs 3 and 4 and inserting in lieu thereof the following:

"3. The extent or amount of spending authority described in section 401(b) of the Congressional Budget Act of 1974 that is to be effective for a fiscal year.".

SEC. 5. Sections 2 and 4 of this Act (and the amendments made by such sections) are enacted by the Congress—

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House.

II

97TH CONGRESS
1ST SESSION

S. 581

To amend the Congressional Budget Act of 1974 to limit the period for which the enactment of new budget authority may be authorized, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 26 (legislative day, FEBRUARY 16), 1981

Mr. BIDEN introduced the following bill; which was read twice and referred jointly, pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs with instructions that if one committee reports, the other committee has thirty days of continuous session to report or be discharged

---

A BILL

To amend the Congressional Budget Act of 1974 to limit the period for which the enactment of new budget authority may be authorized, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Spending Control Act of 1981".

SEC. 2. (a) Title IV of the Congressional Budget Act of 1974 is amended by adding at the end thereof the following new sections:

"LIMITATIONS ON AUTHORIZING LEGISLATION; AUTHORIZATIONS REQUIRED

"SEC. 405. (a) TIME PERIOD PRESCRIBED.—Except as provided in subsection (c), it shall not be in order in either the Senate or the House of Representatives to consider any bill or resolution, or any amendment thereto, which authorizes the enactment of new budget authority for a program for a period of more than four fiscal years or for an indefinite period.

"(b) AUTHORIZATION REQUIRED.—It shall not be in order in either the Senate or the House of Representatives to consider any bill or resolution or any amendment thereto which provides new budget authority for a program for any fiscal year beginning after two years after the effective date of this section, unless the provision of such new budget authority is specifically authorized by law.

"(c) WAIVER IN THE SENATE.—If any committee of the Senate determines that an authorization of the enactment of new budget authority for a period in excess of four fiscal years is necessary to accomplish the purposes for which the authorization is to be made, the committee may report a bill or resolution authorizing the enactment of new budget authority for a definite period in excess of four fiscal years. At the same time or after the committee reports such bill or resolution, the committee shall report a resolution to the Senate providing for a waiver of the provisions of subsection (a) which limit the authorization of the enactment of new budget authority to a period not in excess of four fiscal years and stating the reasons why such a waiver is necessary. The resolution shall be referred and considered in accordance with section 407.

“TERMINATION OF CERTAIN EXISTING AUTHORIZATIONS

“SEC. 406. (a) LIMITATION ON THE PROVISION OF NEW BUDGET AUTHORITY.—Except as provided in subsections (b) and (c), it shall not be in order in either the Senate or the House of Representatives to consider a bill or resolution providing new budget authority for any fiscal year beginning after the date which is five years after the effective date of this section if the provision of such budget authority is made pursuant to a law, in effect on the effective date of this section, authorizing the enactment of new budget authority for a period of more than four fiscal years or for an indefinite period.

“(b) EXCEPTIONS.—Subsection (a) shall not apply to the provision of new budget authority for—

“(1) payments to or from a trust fund established by the Social Security Act;

"(2) payments of interest on obligations constituting a part of the public debt of the United States; or

"(3) payments of refunds of internal revenue collections, but subsection (a) shall apply to payments to any person in excess of his tax liability under the internal revenue laws.

"(c) WAIVER IN THE SENATE.—If the Committee on Appropriations of the Senate determines that subsection (a) should not apply to a bill or resolution providing new budget authority for a particular program, the committee shall report a resolution to the Senate providing for a waiver of such subsection with respect to the consideration of such bill or resolution and stating the reasons why the waiver is necessary. The resolution shall be referred and considered in accordance with section 407.

"PROCEDURES FOR THE CONSIDERATION OF WAIVER RESOLUTIONS IN THE SENATE

"SEC. 407. (a) REFERRAL AND DISCHARGE.—Any resolution reported under section 405(c) or 406(c) shall be jointly referred to the Committees on Appropriations and the Budget of the Senate. Each such committee shall report such resolution to the Senate within ten days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred, accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If either committee does not report the resolution within such ten-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

"(b) CONSIDERATION OF RESOLUTION.--During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and minority leader or their designees, and the time on any debatable motion or appeal shall be limited to twenty minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of such debatable motion or appeal. No amendment to the resolution is in order.

"(c) EFFECT OF ADOPTION OF RESOLUTION.—If, after both committees have reported (or have been discharged from further consideration of) a resolution waiving the application of section 405(a) or 406(a) with respect to the consideration of a bill or resolution, the Senate agrees to the resolution by a rollcall vote, section 405(a) or 406(a), as the case may be, shall not apply with respect to the consideration of the bill or resolution to which the resolution so agreed to applies.

"(d) OVERSIGHT PLAN REQUIRED.—Whenever any bill or resolution is reported by a committee under the provisions of section 405(a), or a resolution is reported by the Committee on Appropriations under the provisions of section 406(c), the report accompanying such bill or resolution shall contain a plan for oversight hearings by the committee to determine progress being made toward the intended objectives of the program with which the bill or resolution is concerned.".

(b) The table of contents in section 1(b) of the Congressional Budget Act of 1974 is amended by inserting after the item relating to section 404 the following new items:

"SEC. 405. Limitations on authorizing legislation; authorizations required.
"SEC. 406. Termination of certain existing authority.
"SEC. 407. Procedures for the consideration of waiver resolutions in the Senate.".

EFFECTIVE DATE

SEC. 3. This Act and the amendments made by this Act shall take effect on the first day of the first regular session of the Congress which begins after the date of the enactment of this Act.

II

97TH CONGRESS
1ST SESSION

S. 582

To amend the Congressional Budget Act of 1974 to require authorizing legislation for tax expenditures, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 26 (legislative day, FEBRUARY 16), 1981

Mr. BIDEN introduced the following bill; which was read twice and referred jointly pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs with instructions that if one committee reports, the other committee has thirty days of continuous session to report or be discharged

---

A BILL

To amend the Congressional Budget Act of 1974 to require authorizing legislation for tax expenditures, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Tax Expenditure Control Act of 1981".

SEC. 2. Title IV of the Congressional Budget Act of 1974 is amended by adding at the end thereof the following new section:

"AUTHORIZING LEGISLATION FOR TAX EXPENDITURES

"SEC. 405. (a) AUTHORIZATION REQUIREMENT.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution, or any amendment to a bill or resolution, which, directly or indirectly, enacts new tax expenditures unless such enactment is authorized by law.

"(b) REQUIRED REPORTING DATE.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which, directly or indirectly, authorizes the enactment of new tax expenditures to become effective during a fiscal year—

"(1) unless that bill or resolution is reported in the House or the Senate, as the case may be, on or before May 15 preceding the beginning of such fiscal year, and

"(2) if that bill or resolution authorizes the enactment of new tax expenditures to be effective during a period exceeding 10 consecutive calendar years.

"(c) REFERENCE.—A bill or resolution authorizing the enactment of new tax expenditures shall be referred to the committee of the House of Representatives or the Senate, as the case may be, which has jurisdiction over the activity which such new tax expenditure is intended to affect.

"(d) WAIVER IN THE SENATE.—The provisions of section 402(c) of the Congressional Budget Act of 1974 shall apply to any bill or resolution reported under section 405 of this Act.

"(e) NEW TAX EXPENDITURES.—For purposes of this section, the term 'new tax expenditures' means the enactment of a tax expenditure or the increase of an existing tax expenditure.".

SEC. 3. (a) The amendment made by section 2 of this Act shall take effect on the first day of the first regular session of the Ninety-eighth Congress. Any tax expenditure enacted before the date of enactment of this Act shall be repealed on the earlier of—

(1) the termination date of such tax expenditure, or

(2) December 31, 1992.

(b) The provisions of section 904 of the Congressional Budget Act of 1974 shall apply to section 405 of that Act as added by section 2 of this Act.

X

97TH CONGRESS
1ST SESSION

S. 265

To amend the Congressional Budget Act of 1974 to establish procedures for setting targets and ceilings, in the congressional budget process, for loans and loan guarantees under Federal credit programs.

IN THE SENATE OF THE UNITED STATES

JANUARY 27 (legislative day, JANUARY 5), 1981

Mr. PERCY (for himself, Mr. HELMS, and Mr. HATFIELD) introduced the following bill; which was read twice and referred jointly, pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs with instructions that if one committee reports the other committee has thirty days of continuous session to report or be discharged

---

A BILL

To amend the Congressional Budget Act of 1974 to establish procedures for setting targets and ceilings, in the congressional budget process, for loans and loan guarantees under Federal credit programs.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Lending Program Control Act of 1981".

SEC. 2. (a) The Congress finds and declares that—

(1) Federal loans and loan guarantees are becoming an increasingly important means of providing Government services with the total volume of direct loans and guaranteed obligations outstanding in 1980 being 58 per centum and 53 per centum higher, respectively, than in 1976;

(2) the total volume of credit in the economy is finite and limited by the supply of savings, level of interest rates, and Federal monetary policy;

(3) Federal credit programs are not costless to the economy, as they allocate credit to groups and individuals who would otherwise find credit difficult to obtain;

(4) while plans for direct and guaranteed loans under individual Federal credit programs are reviewed each year, there is no systematic mechanism in either the Congress or the executive branch for reviewing the volume of total Federal credit activity, and therefor no systematic way of considering the resource allocation effects of Federal loans and loan guarantees or the reasonableness of the total volume; and

(5) if the Federal Government is to allocate its credit resources efficiently and coordinate that allocation with its fiscal policy and direct expenditures, it must exercise control over Federal credit activities as it does over direct spending activities.

(b) It is therefore declared to be the policy of the Congress and the purpose of this Act to provide a statutory basis for a Federal credit program control system by establishing procedures within the congressional budget process to set targets and ceilings for the gross amount of direct loans which the Federal Government may make, and the gross amount of loan guarantees which the Federal Government may enter into, during each fiscal year.

SEC. 3. (a) Section 202(a) of the Congressional Budget Act of 1974 is amended by striking out "and (3)" and inserting in lieu thereof "(3) information with respect to direct loans and guarantees of loan principal, and (4)".

(b) Section 202(f) of such Act is amended by striking out "and (B)" and inserting in lieu thereof "(B) the levels of direct loans and guarantees of loan principal, and (C)".

SEC. 4. (a) Section 301(a) of the Congressional Budget Act of 1974 is amended—

(1) by redesignating paragraphs (6) and (7) as paragraphs (8) and (9), respectively; and

(2) by inserting after paragraph (5) the following new paragraphs:

"(6) the appropriate level of total gross obligations for the principal amount of direct loans and the appropriate level of total commitments to guarantee loan principal;

"(7) an estimate of gross obligations for the principal amount of direct loans and an estimate of commitments to guarantee loan principal for each major functional category, based on allocations of the appropriate level of total gross obligations for the principal amount of direct loans and the appropriate level of total commitments to guarantee loan principal;".

(b)(1) Section 301(c)(2) of such Act is amended by striking out ", and budget outlays resulting therefrom," and inserting in lieu thereof "and budget outlays resulting therefrom, and of the total amounts of gross obligations for the principal amount of direct loans and commitments to guarantee loan principal,".

(2) Section 301(c) of such Act is further amended by inserting after "1946." the following new sentence: "The Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate shall each also submit to the Committee on the Budget of its House its recommendations as to the appropriate level of total gross obligations for the principal amount of direct loans and the appropriate level of total commitments to guarantee loan principal.".

SEC. 5. (a) Section 302(a) of the Congressional Budget Act of 1974 is amended—

(1) by inserting "and the appropriate levels of total gross obligations for the principal amount of direct loans and total commitments to guarantee loan principal" after "total new budget authority"; and

(2) by inserting "or authorizing such obligations and commitments" after "such new budget authority".

(b) Section 302(b) of such Act is amended—

(1) by striking out "and" after the semicolon at the end of paragraph (1);

(2) by redesignating paragraph (2) as paragraph (3); and

(3) by inserting after paragraph (1) the following new paragraph:

"(2) the Committee on Appropriations of each House shall also, after consulting with the Committee on Appropriations of the other House, subdivide among its subcommittees the allocation of gross obligations for the principal amount of direct loans and of commitments to guarantee loan principal allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution; and".

SEC. 6. Section 307 of the Congressional Budget Act of 1974 is amended by inserting ", and the appropriate levels of total gross obligations for the principal amount of direct loans and of total commitments to guarantee loan principal," after "new budget authority".

SEC. 7. (a) Section 308(a)(1) of the Congressional Budget Act of 1974 is amended—

(1) by striking out "and" after the semicolon at the end of subparagraph (B); and

(2) by adding after subparagraph (C) the following new subparagraph:

"(D) how the limitations on gross obligations for the principal amount of direct loans and on commitments to guarantee loan principal provided in that bill or resolution compare with the gross obligations for the principal amount of direct loans and commitments to guarantee loan principal set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302; and".

(b) Section 308(b) of such Act is amended—

(1) by striking out "and" after the semicolon at the end of paragraph (3);

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof "; and"; and

(3) by adding after paragraph (4) the following new paragraph:

"(5) an up-to-date tabulation comparing the gross obligations for the principal amount of direct loans and the commitments to guarantee loan principal for such fiscal year in bills or resolutions on which the Congress has completed action to the gross obligations for the principal amount of direct loans and the commitments to guarantee loans set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302.".

SEC. 8. (a) Section 309 of the Congressional Budget Act of 1974 is amended by inserting "or providing limitations on gross obligations for the principal amount of direct loans or on commitments to guarantee loan principal for such fiscal year," after "such year," where it first appears in paragraph (1).

(b)(1) The heading of section 309 of such Act is amended by striking out "AND CERTAIN NEW SPENDING AUTHORITY" and inserting in lieu thereof ", LIMITING DIRECT LOANS OR LOAN GUARANTEE COMMITMENTS, OR PROVIDING CERTAIN NEW SPENDING AUTHORITY".

(2) The table of contents for such Act is amended (in the item relating to section 309) by striking out "and certain new spending authority" and inserting in lieu thereof ", limiting

direct loans or loan guarantee commitments, or providing certain new spending authority".

Sec. 9. Section 310(a) of the Congressional Budget Act of 1974 is amended—

(1) by striking out "or" after the semicolon at the end of paragraph (3);

(2) by redesignating paragraph (4) as paragraph (5) and (in such paragraph) striking out "and (3)" and inserting in lieu thereof "(3), and (4)"; and

(3) by inserting after paragraph (3) the following new paragraph:

"(4) specify the total amount by which gross obligations for the principal amount of direct loans or commitments to guarantee loan principal are to be changed and direct the committees having jurisdiction to recommend such change; or".

Sec. 10. (a) Section 311(a) of the Congressional Budget Act of 1974 is amended—

(1) by inserting "increasing the limitations on total gross obligations for the principal amount of direct loans or on total commitments to guarantee loan principal for such fiscal year," after "effective during such fiscal year," in the matter preceding paragraph (1); and

(2) by inserting "would cause the appropriate level of gross obligations for the principal amount of direct loans or of commitments to guarantee loan principal set forth in such concurrent resolution to be exceeded," after "exceeded," in the matter following paragraph (3).

(b)(1) The heading of section 311 of such Act is amended by inserting ", LOAN AND LOAN GUARANTEE COMMITMENTS," after "SPENDING AUTHORITY".

(2) The table of contents for such Act is amended (in the item relating to section 311) by inserting ", loans and loan guarantee commitments," after "spending authority".

SEC. 11. (a) Title IV of the Congressional Budget Act of 1974 is amended by adding at the end thereof the following new section:

"LEGISLATION PROVIDING AUTHORITY TO GUARANTEE THE REPAYMENT OF INDEBTEDNESS

"SEC. 405. It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides, extends, or enlarges authority to insure or guarantee the repayment of indebtedness incurred by another person or government (or any amendment which provides, extends, or enlarges such authority) unless that bill, resolution, or amendments also provides that such authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.".

(b) The table of contents for such Act is amended by adding at the end of the matter relating to title IV the following new item:

"Sec. 405. Legislation providing authority to guarantee the repayment of indebtedness.".

SEC. 12. Section 402(a) of the Congressional Budget Act of 1974 is amended by inserting "or which authorizes the insurance or guarantee of the repayment of indebtedness incurred by another person or government for a fiscal year," after "for a fiscal year,".

SEC. 13. Section 2 of the Congressional Budget and Impoundment Control Act of 1974 is amended—

(1) by striking out "and" after the semicolon at the end of paragraph (4);

(2) by redesignating paragraph (5) as paragraph (6); and

(3) by inserting after paragraph (4) the following new paragraph:

"(5) to provide for the congressional determination each year of the appropriate level of gross obligations for the principal amount of direct loans and of commitments to guarantee loan principal; and".

SEC. 14. Section 3 of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding at the end thereof the following new paragraph:

"(6) The term 'direct loan' means a disbursement of funds by the United States or any officer or agency thereof (not in exchange for goods or services) under a contract which requires the repayment of such funds with or without interest, and in addition includes—

"(A) direct participation in a loan made and held by another person or government;

"(B) the purchase (through secondary market operations) of a loan made by another person or government; and

"(C) the acquisition of a federally guaranteed loan made by another person or government, as collateral or in satisfaction of default or other guarantee claims.".

SEC. 15. Section 201(d) of the Budget and Accounting Act, 1921 (31 U.S.C. 11(d)), is amended by striking out "items enumerated in section 301(a) (1)–(5)" and inserting in lieu thereof "items enumerated in section 301(a) (1)–(7)".

SEC. 16. Section 201(a) of the Budget and Accounting Act, 1921 (31 U.S.C. 11(a)), is amended—

(1) by striking out "and" after the semicolon at the end of paragraph (12);

(2) by striking out the period at the end of paragraph (13) and inserting in lieu thereof "; and"; and

(3) by adding after paragraph (13) the following new paragraph:

"(14) all essential facts regarding direct lending by the Government, and guarantees by the Government of the repayment of indebtedness incurred by another person or government.".

SEC. 17. The amendments made by this Act shall be effective with respect to fiscal years beginning on and after October 1, 1980.

III

97TH CONGRESS
1ST SESSION

S. RES. 22

Directing a study of the advisability and feasibility of instituting a biennial fiscal period.

IN THE SENATE OF THE UNITED STATES

JANUARY 15 (legislative day, JANUARY 5), 1981

Mr. BUMPERS submitted the following resolution; which was referred jointly to the Committees on the Budget and Governmental Affairs pursuant to the order of August 4, 1977

RESOLUTION

Directing a study of the advisability and feasibility of instituting a biennial fiscal period.

Resolved, That (a) the Committee on the Budget and the Committee on Governmental Affairs are authorized and directed to study the advisability and feasibility of conducting the fiscal affairs of the United States Government on a two-year fiscal period or, in the alternative, of having the budget submitted and new budget authority enacted for two fiscal years at a time.

(b) Such committees may conduct such study jointly or separately and shall submit their joint report or separate reports, together with their recommendations, to the Senate as soon as practicable, but not later than September 30, 1981.

II

97TH CONGRESS
2D SESSION

S. 2848

To amend the Congressional Budget and Impoundment Control Act of 1974, to provide for budgetary planning every two years.

IN THE SENATE OF THE UNITED STATES

AUGUST 17, 1982

Mr. COCHRAN introduced the following bill; which was read twice and referred jointly, pursuant to the order of August 4, 1977, to the Committees on the Budget and Governmental Affairs with instructions that if one committee reports, the other committee has thirty days of continuous session to report or be discharged

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A BILL

To amend the Congressional Budget and Impoundment Control Act of 1974, to provide for budgetary planning every two years.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Two Year Budgetary Planning Act of 1982".

STATEMENT OF PURPOSE

SEC. 2. It is the purpose of this Act—

(1) to provide for one concurrent resolution on the budget for a two-year period;

(2) to streamline the budget process so that the process will be an effective mechanism for the planning of major budget priorities; and

(3) to improve the legislative and budgetary processes by providing additional time for congressional oversight and other vital legislative activities.

AMENDMENTS TO THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

SEC. 3. (a)(1) Section 2(2) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "each year" and inserting in lieu thereof "every two years".

(b) Section 3(4) of such Act is amended to read as follows:

"(4) The term 'concurrent resolution on the budget' means—

"(A) a concurrent resolution setting forth the congressional budget for the United States Government for a two-fiscal-year period as provided in section 301; or

"(B) a concurrent resolution on the budget revising the congressional budget for the United States Government pursuant to section 304.".

(2) Section 3 of such Act is further amended by adding at the end thereof the following new paragraph:

"(6) The term 'two-fiscal-year period' means a period of two consecutive fiscal years beginning on October 1 of any odd-numbered year.".

(c) Section 202(f)(1) of the Congressional Budget Act of 1974 is amended—

(1) by inserting "odd numbered" before "year" the first place it appears in the first sentence;

(2) by striking out "the fiscal year" in such sentence and inserting in lieu thereof "each fiscal year in the two-fiscal-year period";

(3) by striking out "such fiscal year" in such sentence and inserting in lieu thereof "such two-fiscal-year period"; and

(4) by striking out "such fiscal year" in the second sentence and inserting in lieu thereof "each fiscal year in such two-fiscal-year period".

(d) Section 300 of such Act is amended to read as follows:

"TIMETABLE

"SEC. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

"First Session

On or before:	Action to be completed:
November 10	President submits current services budget.
15th day after Congress meets.	President submits his budget.
March 15	Committees and joint committees submit reports to Budget Committees.

"First Session—Continued

On or before:	Action to be completed:
April 1	Congressional Budget Office submits report to Budget Committees.
April 15	Budget Committees report concurrent resolution on the budget to their Houses.
May 15	Committees report bills and resolutions authorizing new budget authority for the first fiscal year of the two-fiscal-year period.
May 15	Congress completes action on concurrent resolution on the budget.
7th day after Labor Day	Congress completes action on bills and resolutions providing new budget authority and new spending authority for the first fiscal year of the two-fiscal-year period.
October 1	Two-fiscal-year period begins.

"Second Session

15th day after Congress meets.	President submits proposed revisions in the Budget for the two-fiscal-year period in progress.
May 15	Committees report bills and resolutions authorizing new budget authority for the second fiscal year of the two-fiscal-year period.
7th day after Labor Day	Congress completes action on bills and resolutions providing new budget authority and new spending authority for the second fiscal year of the two-fiscal-year period.".

(e)(1) Section 301(a) of such Act is amended—

(A) by inserting "of Each Odd-Numbered Year" after "May 15th" in the subsection heading; and

(B) by inserting "odd-numbered" before "year" the first place it appears in the first sentence of the matter preceding paragraph (1);

(C) by striking out "the fiscal year" in such sentence and inserting in lieu thereof "the two-fiscal-year period"; and

(D) by inserting a comma and "for each fiscal year in such period" after "set forth" in the second sentence of such matter.

(2) Section 301(b) of such Act is amended—

(A) by striking out "first" in the matter preceding paragraph (1);

(B) by inserting "referred to in subsection (a)" before "may also" in such matter;

(C) by striking out "require" in such matter;

(D) by striking out paragraph (1) and inserting in lieu thereof the following:

"(1) contain the specifications and directions described in section 310(a); and";

(E) by inserting "require" before "any other procedure" in paragraph (2); and

(F) by striking out the last sentence.

(3) Section 301(c) of such Act is amended—

(A) by inserting "odd-numbered" before "year" in the matter preceding paragraph (1);

(B) by striking out "the" the second place it appears and inserting in lieu thereof "an"; and

(C) by striking out "the fiscal year" in paragraph (2) and inserting in lieu thereof "each fiscal year in the two-fiscal-year period".

(4) Section 301(d) of such Act is amended—

(A) by striking out "first" before "concurrent resolution" in the first sentence;

(B) by striking out "fiscal year" in such sentence and inserting in lieu thereof "two-fiscal-year period";

(C) by inserting "odd-numbered" before "year" the first place it appears in the third sentence;

(D) by striking out "first" before "concurrent resolution" in such sentence;

(E) by striking out "fiscal year" in such sentence and inserting in lieu thereof "two-fiscal-year period";

(F) by inserting "for each fiscal year in such two-fiscal-year period" after "the committee" in paragraph (1);

(G) by inserting "for each such fiscal year" after "those estimated" in such paragraph;

(H) by inserting "for each fiscal year in such two-fiscal-year period" after "total new budget authority" the first place it appears in paragraph (2);

(I) by inserting "for each such fiscal year" after "total new budget authority requested" in such paragraph;

(J) by inserting "for each fiscal year in such two-fiscal-year period," after "new budget authority" in paragraph (3);

(K) by inserting "for each fiscal year in such two-fiscal-year period" after "concurrent resolution" in paragraph (4);

(L) by striking out "five" in paragraph (6) and inserting in lieu thereof "six";

(M) by striking out "such fiscal year" in such paragraph and inserting in lieu thereof "the first fiscal year of such two-fiscal-year period,";

(N) by striking out "such period" in such paragraph and inserting in lieu thereof "such six-fiscal-year period"; and

(O) by inserting "for each fiscal year in such two-fiscal-year period" before the semicolon in paragraph (7).

(5) Section 301(e) of such Act is amended—

(A) by striking out "set for" in paragraph (1) and inserting in lieu thereof "set forth";

(B) by striking out "first" each place it appears before "concurrent resolution on the budget";

(C) by inserting "referred to in subsection (a)" after "concurrent resolution on the budget" in paragraph (1); and

(D) by striking out "for the fiscal year" after "concurrent resolution of the budget" in such paragraph and inserting in lieu thereof "referred to in subsection (a) for the two-fiscal-year period".

(6)(A) The section heading for section 301 of such Act is amended by striking out "FIRST".

(B) The item relating to section 301 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "first".

(f)(1) Section 302(a) of the Congressional Budget Act of 1974 is amended—

(A) by inserting "for a two-fiscal-year period" after "concurrent resolution on the budget"; and

(B) by inserting "for each fiscal year in such period" after "estimated allocation".

(2) Section 302(c) of such Act is amended by striking out "or 310".

(g)(1) Section 303(a) of such Act is amended—

(A) by striking out "first";

(B) by striking out "for such year" and inserting in lieu thereof "referred to in section 301(a) for the two-fiscal-year period in which such fiscal year occurs"; and

(C) by striking out "pursuant to section 301".

(2) Section 303(b) of such Act is amended by striking out "fiscal year" each place it appears in paragraphs (1) and (2) and inserting in lieu thereof "two-fiscal-year period".

(3)(A) The section heading for section 303 of such Act is amended by striking out "FIRST".

(B) The item relating to section 303 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out "First concurrent" and inserting in lieu thereof "Concurrent".

(h)(1) Section 304 of the Congressional Budget Act of 1974 is amended—

(A) by striking out "first" before "concurrent resolution on the budget";

(B) by striking out "for a fiscal year" before "has been agreed to" and inserting in lieu thereof "referred to in section 301(a) for a two-fiscal-year period";

(C) by striking out "pursuant to section 301";

(D) by striking out "such fiscal year" the first place it appears and inserting in lieu thereof "such two-fiscal-year period";

(E) by striking out "for such fiscal year" the second place it appears; and

(F) by inserting before the period "for such two-fiscal-year period if the concurrent resolution on the budget making such revisions and any conference report thereon, is agreed to by a rollcall vote of three-fifths of the Members of each House of Congress, duly chosen and sworn.

(2) The section heading for section 304 of such Act is amended by striking out "OF" the second place it appears and inserting in lieu thereof "ON".

(i)(1) Section 305(a)(3) of such Act is amended—

(A) by striking out "first" before "concurrent resolution on the budget"; and

(B) by striking out "for a fiscal year" and inserting in lieu thereof "referred to in section 301(a) for a two-fiscal-year period".

(2) Section 305(b) of such Act is amended—

(A) by striking out ", except that, with respect to the second required concurrent resolution referred to in section 310(a), all such debate shall be limited to not more than 15 hours" in paragraph (1);

(B) by striking out "first" before "concurrent resolution on the budget" in paragraph (3); and

(C) by striking out "for a fiscal year" in such paragraph and inserting in lieu thereof "referred to in section 301(a) for a two-fiscal-year period".

(j) Section 307 of such Act is amended—

(1) by striking out "as" before "set forth";

(2) by inserting "for such fiscal year" before "in the most recently agreed"; and

(3) by striking out "that year" the second place it appears and inserting in lieu thereof "the two-fiscal-year period in which such fiscal year occurs".

(k)(1) Section 308(a) of such Act is amended—

(A) by striking out "such fiscal year" in paragraph (1)(A) and inserting in lieu thereof "the two-fiscal-year period in which such fiscal year occurs"; and

(B) by inserting "for such fiscal year" after "new budget authority" in such paragraph;

(C) by inserting a comma after "a projection" in paragraph (1)(B);

(D) by striking out "5" in such paragraph and inserting in lieu thereof "6";

(E) by inserting a comma after "such fiscal year" in such paragraph;

(F) by striking out "as" after "existing law" in paragraph (2)(A);

(G) by striking out "for such fiscal year" in such paragraph and inserting in lieu thereof "referred to in section 301(a) for the two-fiscal-year period in which such fiscal year occurs";

(H) by inserting "for such fiscal year" after "set forth" in such paragraph;

(I) by striking out "year" the last place it appears in such paragraph and inserting in lieu thereof "two-fiscal-year period";

(J) by inserting a comma after "a projection" in paragraph (2)(B);

(K) by striking out "5" in such paragraph and inserting in lieu thereof "6"; and

(L) by inserting a comma after "such fiscal year" in such paragraph.

(2) Section 308(b) of such Act is amended—

(A) by inserting a comma after "during such fiscal year" in paragraph (1);

(B) by striking out "such fiscal year" in such paragraph and inserting in lieu thereof "the two-fiscal-year period in which such fiscal year occurs";

(C) by inserting "for such fiscal year" after "estimated outlays" the second place it appears in such paragraph;

(D) by striking out "such fiscal year" in paragraph (3) and inserting in lieu thereof "the two-fiscal-year period in which such fiscal year occurs";

(E) by inserting "for such fiscal year" after "revenues" the first place it appears in such paragraph;

(F) by inserting "fiscal" before "year" the last two places it appears in such paragraph;

(G) by striking out "such fiscal year" in paragraph (4) and inserting in lieu thereof "the two-fiscal-year period in which such fiscal year occurs"; and

(H) by inserting "for such fiscal year" after "the public debt" in such paragraph.

(3) Section 308(c) of such Act is amended—

(A) by striking out "Five" in the subsection heading and inserting in lieu thereof "Six"; and

(B) by striking out "5" and inserting in lieu thereof "6".

(l) Section 309(1) of such Act is amended—

(1) by striking out "such year" the second place it appears and inserting in lieu thereof "the two-fiscal-year period in which such fiscal year occurs"; and

(2) by striking out "section 310(c)" and inserting in lieu thereof "section 310(b)".

(m)(1) Section 310(a) of such Act is amended—

(A) by striking out the matter preceding paragraph (1) and inserting in lieu thereof the following:

"SEC. 310. (a) SPECIFICATIONS AND DIRECTIONS.—A concurrent resolution on the budget for a two-fiscal-year period shall, to the extent necessary—";

(B) by striking out "such fiscal year" each place it appears in subparagraphs (A) and (C) of paragraph (1) and inserting in lieu thereof "each fiscal year in such two-fiscal-year period";

(C) by inserting "for each fiscal year in such two-fiscal-year period" after "revenues" in paragraph (2);

(D) by striking out "that" before "the committees" in such paragraph;

(E) by inserting "for each fiscal year in such two-fiscal-year period" after "public debt" in paragraph (3); and

(F) by striking out the last sentence.

(2) Section 310 of such Act is amended by striking out subsection (b) and by redesignating subsections (c), (d), (e), and (f) as subsections (b), (c), (d), and (e), respectively.

(3) Section 310(b) of such Act (as redesignated by paragraph (2) of this subsection) is amended by striking out "is agreed to in accordance with subsection (a)" and inserting in lieu thereof "on the budget is agreed to".

(4) Section 310(c) of such Act (as redesignated by paragraph (2) of this subsection) is amended—

(A) by striking out "subsection (c)" and inserting in lieu thereof "subsection (b)"; and

(B) by striking out "September 25 of each year" and inserting in lieu thereof "sixty days after the date on which the concurrent resolution on the budget containing the specifications and directions for such reconciliation bill or reconciliation resolution is agreed to".

(5) Section 310(d) of such Act (as redesignated by paragraph (2) of this subsection) is amended by striking out "subsection (c)" each place it appears in paragraphs (1) and (2) and inserting in lieu thereof "subsection (b)".

(6) Section 310(e) of such Act (as redesignated by paragraph (2) of this subsection) is amended—

(A) by striking out "the concurrent resolution on the budget required to be reported under subsection (a) for the fiscal year beginning on October 1 of such year, and if a" and inserting in lieu thereof "any";

(B) by striking out "is" before "required to be reported"; and

(C) by striking out "subsection (c) for such fiscal year, unless the Congress has completed action on that bill or resolution, or both" and inserting in lieu thereof "subsection (b) for a two-fiscal-year period".

(7)(A) The section heading for section 310 of such Act is amended by striking out "SECOND REQUIRED CONCURRENT RESOLUTION AND".

(B) The item relating to section 310 in the table of contents in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out

"Second required concurrent resolution and reconciliation" and inserting in lieu thereof "Reconciliation".

(n) Section 311(a) of the Congressional Budget Act of 1974 is amended—

(1) by striking out "section 310(a) for fiscal year" after "reported under" in the matter preceding paragraph (1) and inserting in lieu thereof "section 301(a) for a two-fiscal-year period";

(2) by striking out "such fiscal year" the first place it appears in such matter and inserting in lieu thereof "such two-fiscal-year period";

(3) by striking out "section 310(c)" in such matter and inserting in lieu thereof "section 310(b)";

(4) by striking out "such fiscal year" the second, third, and fourth places it appears in such matter and inserting in lieu thereof "any fiscal year in such two-fiscal-year period";

(5) by inserting "for such fiscal year" after "total budget outlays" in the matter following paragraph (3);

(6) by striking out "such fiscal year" after "concurrent resolution on the budget for" in such matter and inserting in lieu thereof "the two-fiscal-year period in which such fiscal year occurs";

(7) by inserting "for any such fiscal year" after "revenues" the first place it appears in such matter; and

(8) by inserting "for such fiscal year" after "revenues" the second place it appears in such matter.

(o) Section 401(b)(2) of such Act is amended by striking out "such fiscal year" the second place it appears and inserting in lieu thereof "the two-fiscal-year period in which such fiscal year occurs".

(p) Section 403(a) of such Act is amended—

(1) by striking out "4" in paragraph (1) and inserting in lieu thereof "five"; and

(2) by striking out "four" in paragraph (2) and inserting in lieu thereof "five".

(q)(1) Section 605(a) of such Act is amended—

(A) by striking out "each year (beginning with 1975)" and inserting in lieu thereof "each even-numbered year (beginning with 1982)";

(B) by striking out "the ensuing fiscal year" and inserting in lieu thereof "each fiscal year in the two-fiscal-year period beginning in the following odd-numbered year"; and

(C) by striking out "such ensuing fiscal year" and inserting in lieu thereof "each such fiscal year".

(2) Section 605(b) of such Act is amended by inserting "even-numbered" before "year".

(r) Section 904(b) of such Act is amended by striking out "title III or IV" and inserting in lieu thereof "title III (except section 304) or title IV".

AMENDMENTS TO RULES OF THE HOUSE OF REPRESENTATIVES

SEC. 4. (a)(1) Clause 1(b)(4) of rule X of the Rules of the House of Representatives is amended by striking out "fiscal year" and inserting in lieu thereof "two-fiscal-year period".

(b) Clause 4(a)(1)(A) of rule X of the Rules of the House of Representatives is amended by inserting "odd-numbered" after "each".

(c) Clause 4(a)(2) of rule X of the Rules of the House of Representatives is amended by striking out "such fiscal year" and inserting in lieu thereof "the two-fiscal-year period in which such fiscal year occurs".

(d) Clause 4(b)(2) of rule X of the Rules of the House of Representatives is amended—

(1) by striking out "first"; and

(2) by striking out "fiscal year" and inserting in lieu thereof "two-fiscal-year period".

(e) Clause 4(g) of rule X of the Rules of the House of Representatives is amended—

(1) by inserting "odd-numbered" after "each";

(2) by striking out "fiscal year" the first place it appears and inserting in lieu thereof "two-year fiscal period"; and

(3) by striking out "that fiscal year" and inserting in lieu thereof "each fiscal year of such two-fiscal-year period".

(f) Clause 4(h) of rule X of the Rules of the House of Representatives is amended by striking out "fiscal year" and inserting in lieu thereof "two-fiscal-year period".

(g) Clause 2(l)(1)(C) of rule XI of the Rules of the House of Representatives is amended—

(1) by striking out "as" before "set forth";

(2) by inserting "for such fiscal year" before "in the most recently agreed"; and

(3) by striking out "that year" the second place it appears and inserting in lieu thereof "the two-fiscal-year period in which such fiscal year occurs".

(h) Clause 1 of rule XLIX of the Rules of the House of Representatives is amended—

(1) by striking out the comma after "301" and inserting in lieu thereof "or"; and

(2) by striking out ", or 310".

AMENDMENTS TO THE BUDGET AND ACCOUNTING ACT, 1921

SEC. 5. (a) Section 2 of the Budget and Accounting Act, 1921, is amended by adding at the end thereof the following new item:

"The term 'two-fiscal-year period' shall have the same meaning as in section 3(6) of the Congressional Budget and Impoundment Control Act of 1974.".

(b)(1) The matter preceding paragraph (1) of section 201(a) of the Budget and Accounting Act, 1921, is amended to read as follows:

"SEC. 201. (a) The President shall transmit to Congress during the first fifteen days of the first regular session of each Congress the Budget for the two-fiscal-year period beginning on October 1 of the year in which such session occurs. The Budget shall set forth the President's Budget message, summary data and text, and supporting detail. The Budget shall set forth in such form and detail as the President may determine—".

(2) Section 201(a) of such Act is further amended—

(A) by striking out "the ensuing fiscal year and projections for the four fiscal years immediately following the ensuing fiscal year" in paragraph (5) and inserting in lieu thereof "each fiscal year in the ensuing two-fiscal-year period and projections for the four fiscal years immediately following the second fiscal year and the ensuing two-fiscal-year period";

(B) by inserting "even-numbered" before "year" the last place it appears in such paragraph;

(C) by striking out "the ensuing fiscal year and projections for the four fiscal years immediately following the ensuing fiscal year" in paragraph (6) and inserting in lieu thereof "each fiscal year in the ensuing two-fiscal-year period and projections for the four fiscal years immediately following the second fiscal year in the ensuing two-fiscal-year period";

(D) by striking out "the ensuing fiscal year" in paragraph (9) and inserting in lieu thereof "each fiscal year in the ensuing two-fiscal-year period";

(E) by striking out "the ensuing fiscal year" in paragraph (12)(A) and inserting in lieu thereof "each fiscal year in the ensuing two-fiscal-year period";

(F) by striking out "each of the four fiscal years, immediately following that ensuing fiscal year" in paragraph (12)(B) and inserting in lieu thereof "each of the four fiscal years immediately following the second fiscal year in the ensuing two-fiscal-year period";

(G) by striking out "the ensuing fiscal year" each place it appears in paragraph (13) and inserting in lieu thereof "each fiscal year in the ensuing two-fiscal-year period"; and

(H) by adding at the end thereof the following new sentence: "During the first fifteen days of the second regular session of each Congress, the President shall transmit to the Congress any revisions the President considers appropriate in the Budget transmitted in the first regular session of that Congress.".

(c) Section 201(b) of such Act is amended—

(1) by inserting "odd-numbered" before "year" the first place it appears in the matter preceding paragraph (1);

(2) by striking out "fiscal year" in such matter and inserting in lieu thereof "two-fiscal-year period"; and

(3) by striking out "that ensuing fiscal year" each place it appears in paragraphs (1) and (3) and inserting in lieu thereof "each fiscal year in that ensuing two-fiscal-year period".

(d) Section 201(c) of such Act is amended—

(1) by striking out "the first four fiscal years following the ensuing fiscal year" in paragraph (1) and inserting in lieu thereof "each fiscal year in the first two of the two-fiscal-year periods following the ensuing two-fiscal-year period";

(2) by striking out "fiscal years following such ensuing fiscal year" in paragraph (2) and inserting in lieu thereof "each fiscal year in the first two of the two-fiscal-year periods following such ensuing two-fiscal-year period"; and

(3) by striking out "ensuing fiscal year" and inserting in lieu thereof "ensuing two-fiscal-year period".

(e) Section 201(d) of such Act is amended—

(1) by striking out "fiscal year" and inserting in lieu thereof "two-fiscal-year period"; and

(2) by inserting a comma and "for each fiscal year in such two-fiscal-year period," after "separately".

(f) Section 201(e) of such Act is amended—

(1) by striking out "each fiscal year" and inserting in lieu thereof "each two-fiscal-year period"; and

(2) by striking out "such fiscal year" and inserting in lieu thereof "each fiscal year in such two-fiscal-year period".

(g) Section 201(f) of such Act is amended—

(1) by striking out "fiscal year" in the matter preceding paragraph (1) and inserting in lieu thereof "two-fiscal-year period";

(2) by striking out "completed fiscal year" in paragraph (1) and inserting in lieu thereof "two completed fiscal years";

(3) by inserting "each" before "such fiscal year;" in such paragraph;

(4) by striking out "completed fiscal year" in paragraph (2) and inserting in lieu thereof "two completed fiscal years";

(5) by inserting "each" before "such year" each place it appears in such paragraph; and

(6) by inserting "each" before "such fiscal year" each place it appears in paragraph (3).

(h) Section 201(g) of such Act is amended—

(1) by inserting "odd-numbered" before "year" the first place it appears in the first sentence;

(2) by striking out "the ensuing fiscal year" in such sentence and inserting in lieu thereof "each fiscal year in the ensuing two-fiscal-year period";

(3) by inserting "odd-numbered" before "year" the first place it appears in the third sentence; and

(4) by striking out "fiscal year" each place it appears in the last sentence and inserting in lieu thereof "two-fiscal-year period".

(i) Section 201(h) of such Act is amended—

(1) by striking out "fiscal year" the first and second places it appears and inserting in lieu thereof "two-fiscal-year period";

(2) by inserting "each fiscal year in" after "appropriations for"; and

(3) by striking out "such succeeding" and inserting in lieu thereof "each such".

(j) Section 201(i) of such Act is amended—

(1) by striking out "each fiscal year, beginning with the fiscal year ending September 30, 1979" and inserting in lieu thereof "each two-fiscal-year period, beginning with the two-fiscal-year period beginning October 1, 1983"; and

(2) by inserting a comma and "for each fiscal year in such two-fiscal-year period," after "a presentation".

(k) Section 202 of such Act (31 U.S.C. 13) is amended—

(1) by striking out "ensuing fiscal year" each place it appears and inserting in lieu thereof "ensuing two-fiscal-year period"; and

(2) by inserting "or the two-fiscal-year period in progress, as the case may be," after "progress,".

(l) Section 304 of the Department of Commerce Appropriation Act, 1963 (31 U.S.C. 25), is amended by striking out "fiscal year 1964 and each succeeding year" and inserting in lieu thereof "the two-fiscal-year period beginning on October 1, 1983, and each succeeding two-fiscal-year period".

(m) Section 3670 of the Revised Statutes (31 U.S.C. 624) is amended—

(1) by striking out "annual";

(2) by inserting "for a two-fiscal-year period" after "service" the first place it appears; and

(3) by striking out "year" and inserting in lieu thereof "period".

EFFECTIVE DATE

SEC. 6. The provisions of this Act and the amendments made by this Act shall take effect on October 1, 1982.

FISCAL YEAR 1983

SEC. 7. Notwithstanding the provisions of sections 3, 4, 5, and 6 of this Act and the amendments made by such sections—

(1) the provisions of the Congressional Budget and Impoundment Control Act of 1974 (as such provisions were in effect on the day before the effective date of this Act) shall apply with respect to concurrent resolutions on the budget for such fiscal year, bills and resolutions providing new budget authority or new spending authority for such fiscal year, bills and resolutions authorizing the enactment of new budget authority for such fiscal year, the rescission and deferral of budget authority for such fiscal year, and the responsibilities of

the Director of the Congressional Budget Office for such fiscal year; and

(2) the provisions of the Budget and Accounting Act, 1921, shall apply with respect to any amendments or revisions made by the President in the Budget submitted for such fiscal year pursuant to section 201 of such Act.

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